

**THE CITY OF  
SAN MARCOS, TEXAS**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**YEAR ENDED  
SEPTEMBER 30, 2008**

Issued by the  
City of San Marcos  
Finance Department

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**CITY OF SAN MARCOS, TEXAS**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**YEAR ENDED SEPTEMBER 30, 2008**

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# INTRODUCTORY SECTION

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**THE CITY OF  
SAN MARCOS, TEXAS**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**YEAR ENDED  
SEPTEMBER 30, 2008**

**CITY COUNCIL**

Susan Narvaiz - Mayor

Kim Porterfield – Place 1

Gaylord Bose – Place 2,

Daniel Guerrero – Place 3  
Mayor Pro Tem

Chris Jones – Place 4  
Deputy Mayor Pro Tem

Pam Couch – Place 5

John Thomaides – Place 6

**ADMINISTRATION**

Rick Menchaca – City Manager  
Collette Jamison – Assistant City Manager  
Laurie Moyer – Assistant City Manager

Steve Parker – Director of Finance

Presented by  
The Finance Department

# Certificate of Achievement for Excellence in Financial Reporting

Presented to  
City of San Marcos  
Texas

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "K. L. R.", is positioned above the title "President".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer", is positioned above the title "Executive Director".

Executive Director



March 12, 2009

To the Honorable Mayor, Members of the City Council,  
And Citizens of the City of San Marcos, Texas:

Transmittal Letter

For the Fiscal Year  
Ended  
September 30,  
2008

City of San Marcos  
San Marcos, Texas

The Comprehensive Annual Financial Report (the CAFR) of the City of San Marcos, Texas (the City) for the fiscal year ended September 30, 2008, is submitted in accordance with Section 3.16 of the City Charter. Management assumes full responsibility for the completeness and reliability of all information presented in this report, based upon a comprehensive framework of internal control that it established for this purpose. Because the cost of internal controls should not outweigh their anticipated benefits, the objective is to provide reasonable rather than absolute assurance that the financial statements are free of any material misstatements. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. The disclosures included in this report are intended to provide the reader a good understanding of the City's financial activities.

Pattillo, Brown and Hill, L.L.P., have issued an unqualified ("clean") opinion on the City's financial statements for the year ended September 30, 2008. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statements. MD&A complements this transmittal letter and should be read in conjunction with it.

The CAFR includes all funds of the City and is presented in three sections: introductory, financial and statistical. The introductory section includes a table of contents, this transmittal letter, the City's organizational chart, and a list of principal officials. The financial section includes the MD&A, basic financial statements and other required supplementary information, as well as the auditor's report on the financial statements and schedules. The statistical section includes selected financial and demographic information generally presented on a multi-year basis. The single audit is a separate report.

The City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984, the Single Audit Act Amendments of 1996 and U. S. Office of Management and Budget (OMB) Circular A-133. Information related to this single audit, including the Schedule of Expenditures of Federal Awards, findings and recommendations, and auditor's reports on the internal control structure and compliance with applicable laws and regulations are included in the single audit report.

## City of San Marcos Profile

San Marcos operates under a council-manager form of government as provided by its Charter. The Mayor and six City Council members are elected "at large" on a non-partisan ballot. All members of the City Council, except the Mayor, are elected to staggered three-year terms. The Mayor is elected for a two-year term. The City Council appoints the City Manager, City Clerk, City Attorney, and Municipal Court Judge. The City Council also appoints members to certain boards, committees and commissions, as it deems necessary for the operation of the City.

The City Manager is the chief administrator and executive officer for the City and has full responsibility for carrying out Council policies and administering City operations, including hiring department Directors and all other City employees. City service departments provide a full range of services including police and fire protection, health and social services, sanitation services, construction and maintenance of highways, streets and infrastructure, planning and zoning, recreational activities and cultural events, and general administrative services.

The City also provides electric, water, wastewater, airport, drainage and waste collection services; therefore, these activities are included in the reporting entity.

### Local Economy

The City of San Marcos has benefited from the recent national and state economic resurgences, especially pertaining to growth in retail sales, tourism, and construction activities. The City also continues to benefit from other favorable conditions associated with San Marcos, including a stable, diversified economic base and a desirable location for work, destination, and living. Current low mortgage interest rates and the attractive developments within San Marcos continue to bring in residential growth and commercial development. Commercial successes can be expected to continue because of the City's commitment to targeted economic development efforts that focus on industry segments that complement the existing business mix.

The following categories represent key factors affecting San Marcos' economic and financial success:

#### Retail Sales

The City's largest General Fund revenue source is sales tax generated from a well-balanced variety of business categories including automotive, construction, food stores, hotels/motels, department stores, retail stores, restaurants, utilities and rentals. The City has seen a significant growth in sales tax revenues over the last four fiscal years. Fiscal year 2007/08 ended with a 5.4 percent increase over the prior year's revenue, following 7.2 percent increase last year – positive indication that economic recovery is sustained. The City is perhaps best known for its Outlet Malls – Prime and Tanger – which have made San Marcos the 3<sup>rd</sup> most popular tourist destination in Texas. Factors contributing to a brighter economic outlook for retailers included rising consumer confidence, continued low interest rates, a booming housing market, increased factory orders and productivity, and the return of worker pay raises and bonuses.

#### Employment

San Marcos enjoys a relatively low unemployment rate as compared to the state and national economy at 3.8 percent. This means that San Marcos residents have greater job opportunities locally. The Hays County unemployment rate was approximately 4.7 percent in September 2008, as compared to the state unemployment rate of 5.2 percent and the national unemployment rate of 6.0 percent.

#### Tourism

Tourism is one of San Marcos' largest industries and is a significant contributor to the City's economy. Numerous tourist attractions, along with many hotels and motels, provide over 1,250 guest rooms, along with many nearby public and private golf courses. The number of rooms will increase in 2008 with the

addition of San Marcos' first full-service hotel opening November 2008. In addition, San Marcos Conference Center opens at the same time, further adding to San Marcos tourist potential. More than 1,200 retail shops and boutiques are located throughout the City and a selection of over 125 restaurants is available. These services and facilities, complemented by the mild winter, have made San Marcos a popular vacation spot for tourists and winter visitors.

Hotel/motel occupancy tax receipts increased 8.25 percent in FY 2007/08 over the previous year – the fifth straight year of solid revenue growth after anemic post 9/11 levels. The current assessment for FY 2008/09 is that tourism will continue to experience positive gains, reflected by continued increases in occupancy, available rooms and room rates.

## Major Initiatives

The City of San Marcos' FY 2008/09 budget reflects continuing strength in the City's economy, reinforced by positive trends at the state and national levels. Significant improvements projected for the City's key revenue sources, combined with savings achieved in FY 2007/08, provide a balanced budget to meet pressing needs and fund the City's highest priorities for FY 2008/09. These needs include merit increases and market adjustments for personnel, additional police officers, numerous strategic plans, additional capital outlay funding, and infrastructure funding. Many accomplishments have been achieved with the FY 2008/09 budget. The tax rate was not increased in the FY 2009 budget.

## Long-Term Strategic Financial Planning

Financial policies approved by the City Council guide the City's financial management in planning for the future. Sufficient resources and adequate reserve levels will protect the City in the event of revenue shortfalls or increased expenditure needs. Fiscal integrity is the cornerstone upon which the City plans, monitors, and reports its financial activities. Particular emphasis is placed on maintaining the financial stability of the City. Each fiscal year, the budget is developed with this objective. Goals for financial stability enable the City to manage revenue shortfalls and cash flows to ensure continued operations, and to provide for unforeseen contingencies without impairing the level of quality service needed to respond to the community.

### Internal Controls

The Finance Department is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles for local governments as prescribed by GASB and the American Institute of Certified Public Accountants (AICPA). The internal controls structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the evaluation of costs and benefits requires estimates and judgments by management.

### Financial Rating

The City of San Marcos is very proud to announce it received a financial rating upgrade in FY 2008 on three of its four issues. The City's bond rating for Moody's Investor Service and Standard & Poor's is as follows:

	<u>Moody's Investor Service</u>	<u>Standard &amp; Poor's</u>
General Obligation Bonds and Certificates of Obligation	A1	AA-
Revenue Bonds	A1	A+

### Financial Reporting

The City utilizes a computerized financial accounting system to capture all financial transactions and provide data for the preparation of this CAFR, including the audited financial statements. These statements present information on the financial position of the City and whether resources were adequate to cover the costs of providing services during the reporting period. The City's award-winning CAFR is distributed to the City Council, executive management, federal and state agencies, bond rating agencies, and financial institutions, as well as others throughout the general public.

### Budgeting Process

The annual budget serves as the foundation for the City's financial planning and control. The City Council formally adopts the budget and legally allocates, or appropriates, available monies for the City's various funds. Therefore, these funds have appropriated budgets, and budget to actual information is presented. The City Manager submits to the City Council a proposed budget for the fiscal year commencing the following September 1st. The budget includes proposed expenditures and the means of financing them. A public hearing is held prior to the budget's final adoption in order to obtain taxpayer comments. The budget is legally enacted through passage of an ordinance. The ordinance sets the limit for expenditures during the fiscal year.

The expenditure appropriations in the adopted budget are by department. The maximum legal expenditure permitted for the fiscal year is the total budget as adopted. Expenditure appropriations may be amended during the year. Upon the recommendation of the City Manager, and with the approval of the City Council: (1) transfers may be made from the appropriations for contingencies to departments; (2) transfers from fund balance accounts to departments or capital improvement program accounts; (3) transfers between departments; and (4) transfers from capital improvement program accounts to departments. Management control of budgets is further maintained through the use of an encumbrance accounting system. Encumbered amounts lapse at year-end. However, encumbrances generally are re-appropriated as part of the following year's budget.

As demonstrated by the statements and schedules included in the financial section of this report, the City continues meeting its responsibility for sound financial management.

### Single Audit

As a recipient of federal, state and county financial assistance, the City is also responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management and the internal audit staff of the City.

As a part of the City's single audit, described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that the City has complied with applicable laws and regulations. The results of the City's single audit for the fiscal year ended September 30, 2008, provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

### Cash Management

Cash temporarily idle during the year was invested in U.S. Agency securities, Certificates of Deposit, Local Government Pools, Commercial Paper and Money Market Mutual Funds. At year-end, the carrying amount of the City's deposits was \$196.3 million. The U.S. government agency securities had a market value of \$96,698,133 as of September 30, 2008 and a book value of \$96,827,637. These investments are carried at book value.

The City's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, deposits were either insured by federal depository insurance or collateralized. All collateral on deposits were held by the City's agent in the City's name. All investments are in compliance with the Public Funds Investment Act.



### Risk Management

The City of San Marcos maintains a safety and risk management program. Components of the program include the "Safety Coach" Safety Leadership Development Program, an aggressive incident and accident investigation program, awareness and recognition programs and an annual review of assets

The City's Safety Programs have been recognized by awards from the Public Risk Management Association (PRIMA) and the Texas Safety Association (TSA). Activities include a sub-committee formed to assist departments with safety peer reviews. Because this is done with workers and communicated to all levels of management, corrective action occurs quickly and effectively to provide a safer work environment. Risk Management works with departments to address any recommended corrective action. Another project of the Safety Coach Program is conducting random seat belt surveys throughout the city in accordance with the "Buckle Up America" program. The city compliments the mandated Department of Transportation drug testing with a similar program for all positions which have been identified as safety sensitive.

The City participates in the National Safety Councils Awards Program which presents achievement awards by category for occupational safety and health, safe worker, safe drivers and a new program award. The City's Loss Prevention Manager was the recipient of the 2006 Public Risk Management Associate of the Year Award for the Texas Chapter PRIMA which recognizes one outstanding public risk associate annually.

Individual employees who serve in positions that are exposed to hazardous conditions, have a long work history without an accident, and/or contribute substantially to the safety of themselves and/or coworkers are recognized at two levels: safe worker and safe driver. Three employees were recognized in each category for safe workers and safe driving.

Cardiac arrest is a major, preventable cause of death in the United States. To help prevent such tragedies in our facilities, the Safety program has placed nine Automatic External Defibrillators (AED's) in various city buildings in addition to training over 125 City employees in their use and CPR.

The City held the 14th Annual Safety Expo in October which provides training and safety awareness to all employees. The event included over 27 Health and Safety vendors in the expo with various safety demonstrations. Over 220 employees participated in the Expo.

### Other Information

#### Independent Audit

The City Charter requires an annual audit of the books, accounts, financial records and transactions of all administrative departments of the City by independent certified public accountants selected by the City Council. This requirement has been complied with, and the independent auditor's report by Pattillo, Brown & Hill, L.L.P., Certified Public Accountants, has been included in this report.

#### Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for the Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended September 30, 2007. The Certificate of Achievement is a prestigious national award-recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. That report satisfied both generally accepted accounting principles and applicable legal requirements.


A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

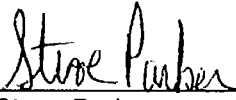
Acknowledgements

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report. We would also like to thank the members of the City Council and the citizens of the City of San Marcos for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

In conclusion, we would like to thank the City's auditing firm, Pattillo, Brown & Hill, L.L.P., for their ongoing efforts, not only in the performance of the City's annual audit, but for their close working relationship in advising the City when questions arise throughout the year. They have been an excellent source of information for preparation of the report.

Respectfully submitted,

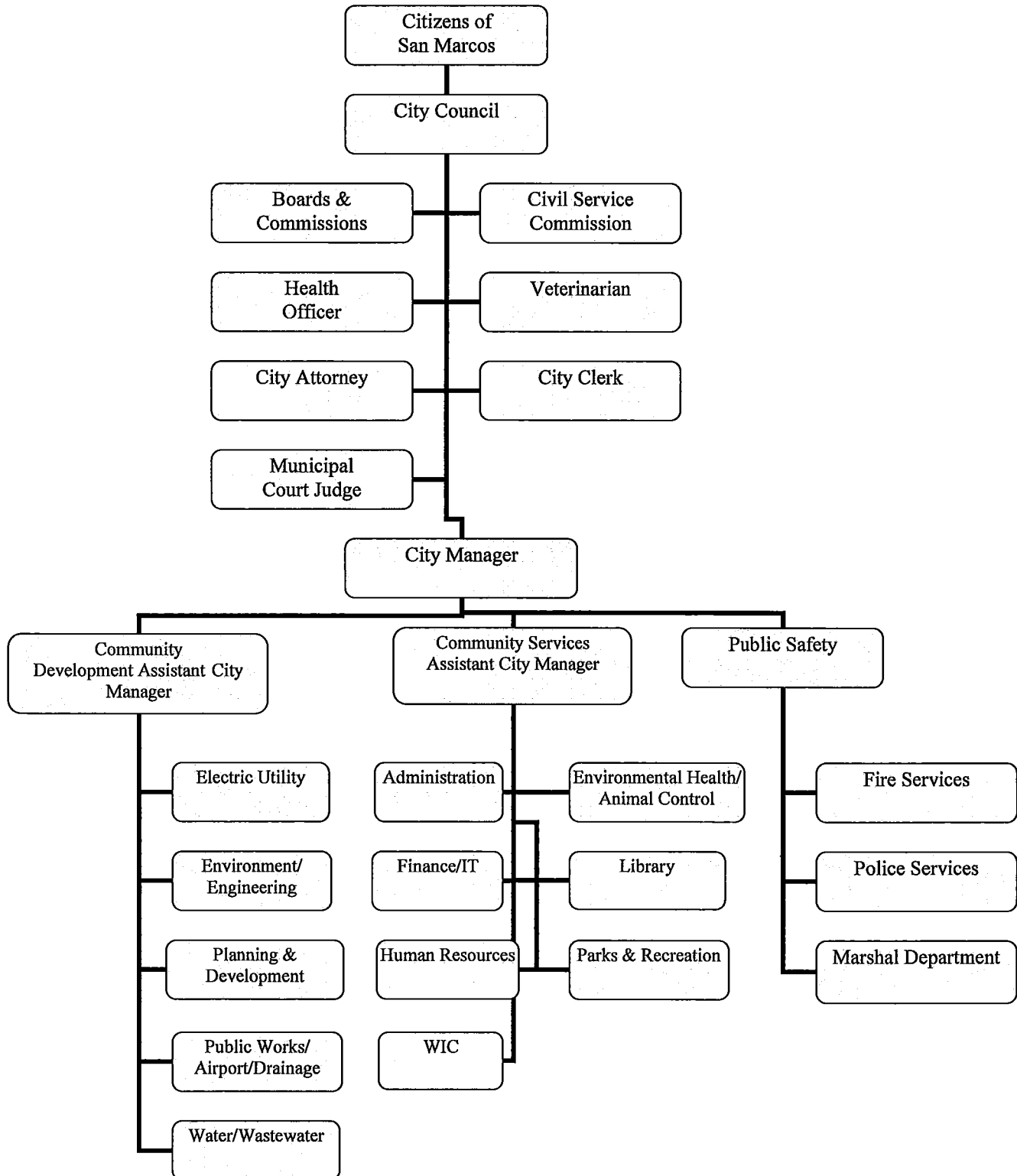
  
Rick Menchaca  
City Manager

  
Steve Parker  
Director of Finance

# CITY OF SAN MARCOS

2007-08 ANNUAL REPORT

## ORGANIZATION CHART



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## **FINANCIAL SECTION**

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PATTILLO, BROWN & HILL, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

## INDEPENDENT AUDITORS' REPORT

The Honorable Mayor  
and Members of City Council  
City of San Marcos, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of San Marcos, Texas, as of and for the year ended September 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of San Marcos, Texas' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of San Marcos, Texas, as of September 30, 2008, and the respective changes in financial position and, where applicable, cash flows of these activities and funds and the budgetary comparison for the General and major Special Revenue Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2009, on our consideration of the City of San Marcos, Texas' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 12 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of San Marcos, Texas' basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Pattillo, Brown & Hill, L.L.P.*

March 12, 2009



# **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2008

As management of the City of San Marcos, we offer readers of the City of San Marcos' financial statements this narrative overview and analysis of the financial activities for the City of San Marcos for the fiscal year ended September 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages iii – viii of this report.

### FINANCIAL HIGHLIGHTS

- The assets of the City of San Marcos exceeded its liabilities at the close of the fiscal year ending September 30, 2008, by \$206.7 million (net assets). Of this amount, \$76.7 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of September 30, 2008, the City of San Marcos' governmental funds reported combined ending fund balances of \$103.9 million, an increase of \$40.1 million in comparison with the prior fiscal year.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$13.5 million, or 37.6% of total General Fund expenditures.
- The City's total debt increased by \$71.2 million during the current fiscal year. The City issued \$62.7 million in Combination Tax and Revenue Certificates of Obligation and \$18.5 million in Water and Wastewater System revenue bonds.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis serves as an introduction to the City of San Marcos' basic financial statements. The City of San Marcos' basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The comprehensive annual financial report (CAFR) also contains other supplementary information in addition to the basic statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City of San Marcos' finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City of San Marcos' assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of San Marcos is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but not used vacation leave).

The *statement of net assets* and the *statement of activities* are prepared utilizing the accrual basis of accounting.

In the *statement of net assets* and the *statement of activities*, the City's operations are divided into two kinds of activities:

- **Governmental Activities** – Most of the City's basic services are reported here, including the police, fire, libraries, planning and development, transportation, parks and recreation, and general administration. Property tax, sales tax and franchise fee revenues finance most of these activities.
- **Business-type Activities** – The City charges a fee to customers to help cover all or most of the cost of certain services it provides. The City's Electric, Water and Wastewater, Airport, Drainage and Waste Collection Funds are reported here.

The government-wide financial statements can be found on pages 13 – 15 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of San Marcos, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by state law and by bond covenants. However, the City establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. The City's two kinds of funds – governmental and proprietary – utilize different accounting approaches.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is more narrow than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The relationships or differences between governmental activities (reported in the *statement of net assets* and the *statement of activities*) and governmental funds is detailed in a reconciliation following the fund financial statements.

The City of San Marcos maintains 18 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Hotel Occupancy Fund, Capital Projects Fund, and Debt Service Fund, all of which are considered to be major funds. Data from the other 14 governmental funds are combined into a single, aggregated nonmajor fund presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in the CAFR.

The basic governmental fund financial statements can be found on pages 16 – 19 of this report.

**Proprietary funds.** The City charges customers for certain services it provides. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the *statement of net assets* and the *statement of activities*.

The City of San Marcos maintains five individual enterprise funds: Electric, Water and Wastewater, Airport, Drainage, and Waste Collection. The fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Electric and Water and Wastewater, both of which are considered to be major funds of the City. Data from the other three enterprise funds are combined into a single, aggregated nonmajor fund presentation. Individual fund data for each of these nonmajor enterprise funds is provided in the form of combining statements elsewhere in the CAFR.

The basic proprietary funds financial statements can be found on pages 22 – 25 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26 – 50 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report presents the combining statements referred to earlier in connection with nonmajor governmental and enterprise funds, comparative information for the General Fund and budgetary information to demonstrate the City's budgetary compliance. Combining and individual fund statements and schedules can be found on pages 51 – 69 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's combined net assets were \$206.7 million as of September 30, 2008. Analyzing the net assets and net expenses of governmental and business-type activities separately, the business-type activities net assets are \$119.1 million. This analysis focuses on the net assets (Table 1) and changes in net assets of the City's governmental and business-type activities (Table 2).

By far, the largest portion of the City's net assets (56%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of unrestricted net assets (\$76.7 million) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of San Marcos is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

**TABLE 1**  
**CITY OF SAN MARCOS' NET ASSETS**

	Governmental Activities		Business-type Activities		Totals	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 115,956,321	\$ 73,966,873	\$ 109,016,266	\$ 90,802,386	\$ 224,972,587	\$ 164,769,259
Capital assets	113,818,599	89,044,350	140,818,704	131,455,336	254,637,303	220,499,686
Total assets	229,774,920	163,011,223	249,834,970	222,257,722	479,609,890	385,268,945
Long-term liabilities						
outstanding	132,484,291	69,541,325	117,956,226	99,464,767	250,440,517	169,006,092
Other liabilities	9,752,976	13,371,258	12,730,906	13,707,486	22,483,882	27,078,744
Total liabilities	142,237,267	82,912,583	130,687,132	113,172,253	272,924,399	196,084,836
Net assets:						
Invested in capital assets,						
net of related debt	52,331,211	34,026,741	63,950,063	37,167,271	116,281,274	71,194,012
Restricted	13,656,718	7,178,953	-	-	13,656,718	7,178,953
Unrestricted	21,549,724	38,892,946	55,197,775	71,918,198	76,747,499	110,811,144
Total net assets	\$ 87,537,653	\$ 80,098,640	\$ 119,147,838	\$ 109,085,469	\$ 206,685,491	\$ 189,184,109

**Governmental activities.** The City's governmental revenues increased when compared to the prior year by .0004% or \$17,647. Property tax revenue increased due to increased property valuations and the addition of new property throughout the City. The assessed value of the property in the City increased by \$110.0 million or 5.1% as compared to the prior year while the City property tax rate of \$0.5302 per \$100 assessed valuation remained the same as in the prior year.

The most significant governmental expense for the City was in providing for public safety, which incurred expenses of \$16.4 million. These expenses were offset by revenues collected from a variety of sources, with the largest being from sales tax with realized revenues totaling \$18,347,135. This was an increase of \$2,329,029 over the previous year's collections. The public safety expense increase was primarily due to the addition of new public safety positions added in 2008.

**Business-type activities.** Revenues of the City's business-type activities were \$86.1 million for the fiscal year ending September 30, 2008. Expenses for the City's business-type activities were \$76.4 million for the year, resulting in a net increase in net assets of \$9.7 million. The net revenues are the result of several factors, including the following:

- The City's Water and Wastewater System recorded charges for services of \$28.4 million, which exceeded operating expenses of \$19.6 million. The most significant expenses of the Water and Wastewater Fund were \$5.5 million for contracted services for the operation of the surface water treatment plant, and \$2.6 million in salaries and benefits.
- The City's Electric distribution system recorded charges for services of \$49.8 million, which exceeded operating expenses of \$48.7 million. The most significant expense of the Electric Fund was \$37.1 million for the purchase of power.
- The increase in net assets from business-type activities was primarily due to increased revenue from water, sewer, and electric sales due to the dryer summer weather. Capital contributions of water and sewer infrastructure as new construction activity continues in the City.

Governmental and business-type activities increased the City's net assets (Table 2) by \$17.1 million.

TABLE 2

## CITY OF SAN MARCOS' CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities		Totals	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for services	\$ 3,334,379	\$ 2,877,826	\$ 81,030,373	\$ 72,084,166	\$ 84,364,752	\$ 74,961,992
Operating grants and contributions	3,452,451	6,128,665	-	-	3,452,451	6,128,665
Capital grants and contributions	836,384	3,921,368	1,649,020	309,307	2,485,404	4,230,675
General revenues:						
Property taxes, levied for general purposes	4,518,495	3,497,202	-	-	4,518,495	3,497,202
Property taxes, levied for debt service	7,178,305	6,061,501	-	-	7,178,305	6,061,501
Sales taxes	18,347,135	16,018,106	-	-	18,347,135	16,018,106
Franchise taxes	7,695,811	6,927,867	-	-	7,695,811	6,927,867
Hotel/motel taxes	1,698,905	1,308,101	-	-	1,698,905	1,308,101
Investment earnings	2,590,329	2,745,676	2,801,982	4,063,644	5,392,311	6,809,320
Other	572,276	720,511	618,072	260,923	1,190,348	981,434
Total revenues	50,224,470	50,206,823	86,099,447	76,718,040	136,323,917	126,924,863
Expenses:						
General government	12,565,540	13,769,853	-	-	12,565,540	13,769,853
Public safety	16,406,242	13,537,545	-	-	16,406,242	13,537,545
Community service	9,114,632	9,077,477	-	-	9,114,632	9,077,477
Interest and fiscal charges	4,784,896	2,769,146	-	-	4,784,896	2,769,146
Electric	-	-	49,224,186	40,539,638	49,224,186	40,539,638
Water and sewer	-	-	23,872,986	21,657,804	23,872,986	21,657,804
Airport	-	-	786,419	739,316	786,419	739,316
Drainage	-	-	811,057	577,461	811,057	577,461
Waste collection	-	-	1,703,744	1,503,213	1,703,744	1,503,213
Total expenses	42,871,310	39,154,021	76,398,392	65,017,432	119,269,702	104,171,453
Increases in net assets before transfers	7,353,160	11,052,802	9,701,055	11,700,608	17,054,215	22,753,410
Transfers	85,853	( 379,500)	( 85,853)	379,500	-	-
Increase in net assets	7,439,013	10,673,302	9,615,202	12,080,108	17,054,215	22,753,410
Net assets, beginning	80,098,640	69,425,338	109,085,469	97,005,361	189,184,109	166,430,699
Prior period adjustment	-	-	429,167	-	429,167	-
Net assets, ending	\$ 87,537,653	\$ 80,098,640	\$ 119,129,838	\$ 109,085,469	\$ 206,667,491	\$ 189,184,109



## FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City of San Marcos uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City of San Marcos' governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of San Marcos's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of San Marcos' governmental funds reported combined fund balances of \$103.9 million, an increase of \$40.1 million in comparison with the prior year. Approximately 12.9% of this total amount constitutes unreserved, undesignated fund balance, which is available for use within the City's fund designation and fiscal policies. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase prepaid expenses of the prior period, 2) to pay debt service, 3) for capital projects, or 4) to generate income to pay for the perpetual care of the municipal cemetery.

The General Fund is the main operating fund of the City of San Marcos. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$13.4 million, while total fund balance reached \$13.6 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 37.3% of total General Fund expenditures.

In the General Fund, the City budgeted for a fund balance decrease in the current year of \$5,787,372. It is one of the City's financial policies to maintain fund balance in the General Fund equal to 90 days' expenditures and when those balances exceed the 90-day target to transfer the excess to Capital Project Funds to fund pay-as-you-go capital expenditures. Due to actual expenditures being less than originally budgeted and revenues being considerable more than originally budgeted especially in the areas of sales tax and building permits. The variance in these two scenarios amounted to a \$4.6 million increase to fund balance as compared to budget. The Debt Service Fund Balance increased by \$4,729,950 from 2007 to 2008. This fund balance reserved was due to the addition of capitalized interest related to the Wonder World Extension Project. Capitalized interest will be used to make debt service payments for the legally issued debt until the pass-through toll financing from TXDOT is received from the state which will commence 13 months after substantial completion of the project. The Hotel Occupancy Tax added \$791,416 in additional reserves due to conservative revenue budgeting techniques. Actual Revenues were \$467,000 higher than originally budgeted in 2008. Debt issuance in the Capital Projects Funds contributed to the net change in fund balances of \$35,715,025.

The Debt Service Fund has a total fund balance of \$10.5 million, all of which is reserved for the payment of debt service. The net increase in fund balance during the current year was \$4.7 million.

**TABLE 3**  
**GOVERNMENTAL TAX REVENUES**

	2008	2007	Increase (Decrease)
Property	\$ 11,561,636	\$ 9,756,640	\$ 1,804,996
Sales	18,347,135	17,405,977	941,158
Franchise	7,463,804	6,927,867	535,937
Hotel/motel	1,698,905	1,308,101	390,804
Mixed Drink	<u>232,007</u>	<u>211,795</u>	<u>20,212</u>
	<u>\$ 39,303,487</u>	<u>\$ 35,610,380</u>	<u>\$ 3,693,107</u>

Other factors concerning the finances of governmental funds have already been addressed in the discussion of the City's governmental activities in the government-wide financial statements.

**Proprietary funds.** The City of San Marcos' proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of Water and Wastewater Fund at the end of the year amounted to \$34.2 million, and those for the Electric Fund amounted to \$16.1 million. Other factors concerning the finances of these two funds have already been discussed in the discussion of the City of San Marcos' business-type activities in the government-wide financial statements.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

For FY 2007-08, actual expenditures on a budgetary basis were \$35.8 million compared to the budget amount of \$36.3 million. The \$.5 million positive variance was due to savings achieved through a series of expenditure restrictions imposed by the City Manager's office during the year.

For FY 2007-08, actual revenues on a budgetary basis were \$38.7 million as compared to the budget amount of \$34.7 million. The majority of the \$4.0 million variance was due to the sales tax revenues exceeding the original estimate.

The City of San Marcos has a budgetary basis General Fund balance of \$13.6 million as of the fiscal year-end, compared to the budgeted fund balance of \$8.9 million. The variance in fund balance is primarily due to cost containment measures implemented by management and an increase in sales tax revenues.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets.** At the end of the fiscal year 2008, the City had \$254.6 million invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, bridges, and water and wastewater lines. (See Table 4 below.) For more detailed information on capital assets, please refer to the accompanying notes on pages 38 – 39.

TABLE 4

**CITY OF SAN MARCOS' CAPITAL ASSETS AT YEAR-END  
(Net of Accumulated Depreciation)**

	Governmental Activities		Business-type Activities		Totals	
	2008	2007	2008	2007	2008	2007
Land	\$ 7,279,153	\$ 4,865,153	\$ 1,446,029	\$ 1,295,061	\$ 8,725,182	\$ 6,160,214
Buildings	30,803,421	16,373,421	6,369,767	6,369,767	37,173,188	22,743,188
Improvements other than buildings	40,396,026	38,398,803	130,486,195	104,938,464	170,882,221	143,337,267
Equipment	21,621,925	19,968,387	7,022,545	6,475,366	28,644,470	26,443,753
Construction in progress	33,980,915	30,618,148	50,509,078	61,401,358	84,489,993	92,019,506
Infrastructure	18,826,436	12,522,536	-	-	18,826,436	12,522,536
Total capital assets	\$ 152,907,876	\$ 122,746,448	\$ 195,833,614	\$ 180,480,016	\$ 348,741,490	\$ 303,226,464

**Long-term debt.** At year-end, the City had \$247.8 million in General Obligation Bonds, Combination Tax and Revenue Certificates of Obligations and Revenue Bonds outstanding as compared to \$176.0 million at the end of the prior fiscal year, an increase of 40.8%. For more detailed information on long-term debt, please refer to the accompanying notes on pages 41 – 44.

TABLE 5

**CITY OF SAN MARCOS' OUTSTANDING DEBT AT YEAR-END**

	Governmental Activities		Business-type Activities		Totals	
	2008	2007	2008	2007	2008	2007
General obligation bonds	\$ 15,200,000	\$ 12,925,000	\$ -	\$ -	\$ 15,200,000	\$ 12,925,000
Certificates of obligation	114,210,000	58,485,000	-	-	114,210,000	58,485,000
Revenue bonds	-	-	118,340,000	104,580,000	118,340,000	104,580,000
	\$ 129,410,000	\$ 71,410,000	\$ 118,340,000	\$ 104,580,000	\$ 247,750,000	\$ 175,990,000

During this fiscal year, General Obligation Bonds and Combination Tax and Revenue Bonds totaling \$81.2 were issued to fund both general obligation and revenue projects.

The City has maintained its A+ rating from Standard & Poor's Corporation, and its A1 rating from Moody's Investor Services on its tax supported debt. The City has also maintained its A rating from Standard & Poor's Corporation, and its A2 rating from Moody's Investor Services on its water and wastewater revenue bonds. The City is permitted by Article XI, Section 5, of the State of Texas Constitution to levy taxes up to \$2.50 per \$100 assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. The current ratio of net tax-supported debt to assessed value of all taxable property is 10.9%.

The City sponsors an employee benefit plan that provides partially self-insured medical and self-insured dental coverage to employees and voluntary coverage to their participating dependents. The plan is designed to provide a specified level of coverage, with excess insurance coverage provided by specific and aggregate reinsurance. The City's maximum medical claim exposure is limited to \$85,000 in claims per covered person and a dental benefit of \$1,250 per covered person per year. Aggregate coverage based on a monthly enrollment limits the medical claims exposure. Claim liability was \$862,055 at September 30, 2008, compared to \$795,920 at September 30, 2007.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City's elected and appointed officials considered many factors when setting the fiscal year 2009 budget, tax rates, and fees that will be charged. One of these factors is the improving economy. As a result of the financial challenges facing all municipalities, the City set three goals to maintain its financial stability, a lean organization, a competitively paid staff and investment in capital outlay. These goals were taken into account when adopting the operating budget for fiscal year 2009. The total 2008-09 combined budget appropriation is \$145.2 million. This represents an increase of \$9.3 million or 6.8% over the 2007-08 budget. The increase in the annual budget is largely attributed to investments in capital projects as well as the dramatic increases in the costs of fuel and power generation caused by the increasing price of oil internationally.

The General Fund's largest single revenue source is sales taxes. The City collects a 1.5-cent sales tax on all taxable goods in the City. Sales tax revenue for FY 2009 is budgeted at \$18.7 million.

The property tax rate for FY 2009 is \$0.5302 per \$100 valuation. Of this tax rate, 37.83% or \$0.2006 is used for operations and maintenance activities. The remaining 62.17% or \$0.3296 is used for debt service. The operations and maintenance portion of property tax revenue for FY 2009 is estimated to be \$4.6 million.

The largest revenue source for the Water and Wastewater Fund is water sales, at \$11.8 million. The base rate for FY 2009 is \$18.98 for the first 2,000 gallons for a 5/8"-3/4" meter in the city limits. This rate increases as the meter size increases and/or if the meter is located outside of the city limits. This rate was maintained at the same rate as last year. The second largest revenue source for the Water and Wastewater Fund is wastewater charges, at \$10.5 million. The base rate for FY 2009 is \$22.42 for the first 2,000 gallons. This rate was also maintained the same as the previous fiscal year.

The largest revenue source for the Electric Fund is power sales, at \$59.9 million. The base charge for FY 2009 is \$8.50/month plus \$0.0190 per kwh. This rate was also maintained at the same rate as the previous fiscal year.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Department, at the City of San Marcos, 630 E. Hopkins, San Marcos, TX 78666.

# **BASIC FINANCIAL STATEMENTS**

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# CITY OF SAN MARCOS, TEXAS

## STATEMENT OF NET ASSETS

SEPTEMBER 30, 2008

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and equivalents	\$ 56,054,652	\$ 49,054,515	\$ 105,109,167
Investments	53,145,754	43,552,380	96,698,134
Receivables (net of allowance for uncollectible):			
Accounts	777,927	10,948,797	11,726,724
Taxes	3,267,586	-	3,267,586
Other	77,087	804	77,891
Due from other governments	2,167,921	-	2,167,921
Internal balances	( 1,627,071)	1,627,071	-
Inventories	91,012	1,253,627	1,344,639
Prepaid items	56,476	19,580	76,056
Deferred charges	1,944,977	2,559,492	4,504,469
Capital assets:			
Land	7,279,153	1,446,029	8,725,182
Construction in progress	33,980,915	50,509,078	84,489,993
Buildings	30,803,421	6,369,767	37,173,188
Improvements other than buildings	40,396,026	130,486,195	170,882,221
Equipment	21,621,925	7,022,545	28,644,470
Infrastructure	18,826,436	-	18,826,436
Less: accumulated depreciation	( 39,089,277)	( 55,014,910)	( 94,104,187)
Total capital assets	<u>113,818,599</u>	<u>140,818,704</u>	<u>254,637,303</u>
Total assets	<u>229,774,920</u>	<u>249,834,970</u>	<u>479,609,890</u>
<b>LIABILITIES</b>			
Accounts payable	7,043,749	9,133,542	16,177,291
Unearned revenues	630,168	5,134	635,302
Customer deposits	-	2,448,343	2,448,343
Accrued interest payable	2,079,059	1,143,887	3,222,946
Noncurrent liabilities:			
Due within one year	6,094,777	5,895,460	11,990,237
Due in more than one year	<u>126,389,514</u>	<u>112,060,766</u>	<u>238,450,280</u>
Total liabilities	<u>142,237,267</u>	<u>130,687,132</u>	<u>272,924,399</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	52,331,211	63,950,063	116,281,274
Restricted for:			
Economic development	1,309,060	-	1,309,060
Grant requirements	199,493	-	199,493
Public safety	116,758	-	116,758
Court security and technology	216,052	-	216,052
Debt service	10,492,044	-	10,492,044
Future convention center	380,276	-	380,276
Park and cemetery trust:			
Nonexpendable	935,531	-	935,531
Expendable	7,504	-	7,504
Unrestricted	<u>21,549,724</u>	<u>55,197,775</u>	<u>76,747,499</u>
Total net assets	<u>\$ 87,537,653</u>	<u>\$ 119,147,838</u>	<u>\$ 206,685,491</u>

The accompanying notes are an integral part of these financial statements.

# CITY OF SAN MARCOS, TEXAS

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2008

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government</b>				
Governmental activities:				
General government	\$ 12,565,540	\$ 1,252,334	\$ 1,251,831	\$ 42,656
Public safety	16,406,242	1,455,835	282,011	-
Community service	9,114,632	626,210	1,918,609	793,728
Interest on long-term debt	4,784,896	-	-	-
Total governmental activities	<u>42,871,310</u>	<u>3,334,379</u>	<u>3,452,451</u>	<u>836,384</u>
Business-type activities:				
Electric	49,224,186	49,787,885	-	-
Water and wastewater	23,872,986	28,352,029	-	1,649,020
Airport	768,419	203,780	-	-
Drainage	811,057	1,379,198	-	-
Waste collection	<u>1,703,744</u>	<u>1,307,481</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>76,380,392</u>	<u>81,030,373</u>	<u>-</u>	<u>1,649,020</u>
Total primary government	<u>\$ 119,251,702</u>	<u>\$ 84,364,752</u>	<u>\$ 3,452,451</u>	<u>\$ 2,485,404</u>
General revenues:				
Taxes:				
Property taxes, levied for general purposes				
Property taxes, levied for debt service				
Sales				
Franchise taxes				
Hotel/motel				
Investment earnings				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning				
Prior period adjustment				
Net assets - beginning as restated				
Net assets - ending				

The accompanying notes are an integral part of these financial statements.



Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$( 10,018,719)	\$ -	\$( 10,018,719)
( 14,668,396)	-	( 14,668,396)
( 5,776,085)	-	( 5,776,085)
( 4,784,896)	-	( 4,784,896)
<u>( 35,248,096)</u>	<u>-</u>	<u>( 35,248,096)</u>
-	563,699	563,699
-	6,128,063	6,128,063
-	( 564,639)	( 564,639)
-	568,141	568,141
<u>-</u>	<u>( 396,263)</u>	<u>( 396,263)</u>
<u>-</u>	<u>6,299,001</u>	<u>6,299,001</u>
<u>( 35,248,096)</u>	<u>6,299,001</u>	<u>( 28,949,095)</u>
4,518,495	-	4,518,495
7,178,305	-	7,178,305
18,347,135	-	18,347,135
7,695,811	-	7,695,811
1,698,905	-	1,698,905
2,590,329	2,801,982	5,392,311
572,276	618,072	1,190,348
85,853	( 85,853)	-
<u>42,687,109</u>	<u>3,334,201</u>	<u>46,021,310</u>
<u>7,439,013</u>	<u>9,633,202</u>	<u>17,072,215</u>
80,098,640	109,085,469	189,184,109
<u>-</u>	<u>429,167</u>	<u>429,167</u>
<u>80,098,640</u>	<u>109,514,636</u>	<u>189,613,276</u>
<u>\$ 87,537,653</u>	<u>\$ 119,147,838</u>	<u>\$ 206,685,491</u>

# CITY OF SAN MARCOS, TEXAS

## BALANCE SHEET

### GOVERNMENTAL FUNDS

SEPTEMBER 30, 2008

	General	Hotel Occupancy	Capital Projects	Debt Service	Other Governmental	Total
<b>ASSETS</b>						
Cash and cash equivalents	\$ 2,676,440	\$ 1,402,491	\$ 37,085,897	\$ 10,468,689	\$ 1,618,165	\$ 53,251,682
Investments	8,491,022	-	44,654,732	-	-	53,145,754
Receivables (net of allowance for uncollectibles):						
Accounts	377,125	-	376,626	-	7,761	761,512
Taxes	2,411,259	573,114	-	283,213	-	3,267,586
Loans	-	-	-	-	77,087	77,087
Due from other funds	2,953,348	-	357,655	-	37,300	3,348,303
Due from other governments	-	-	-	-	2,167,921	2,167,921
Inventories	91,012	-	-	-	-	91,012
Prepaid items	38,917	-	-	2,071	15,488	56,476
<b>Total assets</b>	<b>\$ 17,039,123</b>	<b>\$ 1,975,605</b>	<b>\$ 82,474,910</b>	<b>\$ 10,753,973</b>	<b>\$ 3,923,722</b>	<b>\$ 116,167,333</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities	\$ 2,202,582	\$ 286,039	\$ 3,421,233	\$ 1,162	\$ 137,862	\$ 6,048,878
Deferred revenue	894,777	32	-	258,696	403,159	1,556,664
Due to other funds	335,169	198	2,441,436	-	1,876,900	4,653,703
<b>Total liabilities</b>	<b>3,432,528</b>	<b>286,269</b>	<b>5,862,669</b>	<b>259,858</b>	<b>2,417,921</b>	<b>12,259,245</b>
<b>Fund balances:</b>						
<b>Reserved for:</b>						
Inventories	91,012	-	-	-	-	91,012
Prepaid items	38,917	-	-	2,071	-	40,988
Cemetery memorial	-	-	-	-	935,531	935,531
Debt service	-	-	-	10,492,044	-	10,492,044
Future conference center	-	380,276	-	-	-	380,276
<b>Unreserved, reported in:</b>						
<b>General fund:</b>						
Designated for benefits	110,000	-	-	-	-	110,000
Undesignated	13,366,666	-	-	-	-	13,366,666
Special revenue funds	-	1,309,060	-	-	570,270	1,879,330
Capital projects funds	-	-	76,612,241	-	-	76,612,241
<b>Total fund balances</b>	<b>13,606,595</b>	<b>1,689,336</b>	<b>76,612,241</b>	<b>10,494,115</b>	<b>1,505,801</b>	<b>103,908,088</b>
<b>Total liabilities and fund balances</b>	<b>\$ 17,039,123</b>	<b>\$ 1,975,605</b>	<b>\$ 82,474,910</b>	<b>\$ 10,753,973</b>	<b>\$ 3,923,722</b>	<b>\$ 116,167,333</b>

The accompanying notes are an integral part of these financial statements.

## **CITY OF SAN MARCOS, TEXAS**

### **RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS**

**SEPTEMBER 30, 2008**

Total fund balance, governmental funds	\$ 103,908,088
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.	113,818,599
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Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.	942,543
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The assets and liabilities of certain internal service funds are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets.	1,486,796
--	-----------

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	( 132,618,373)
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Net Assets of Governmental Activities in the Statement of Net Assets	<u>\$ 87,537,653</u>
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**The accompanying notes are an integral part of these financial statements.**

**CITY OF SAN MARCOS, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	General	Hotel Occupancy	Capital Projects	Debt Service	Other Governmental	Total
<b>REVENUES</b>						
Taxes	\$ 30,426,277	\$ 1,698,905	\$ -	\$ 7,178,305	\$ -	\$ 39,303,487
Licenses and permits	813,976	-	-	-	-	813,976
Fees and penalties	1,409,343	-	-	-	95,086	1,504,429
Charges for services	4,941,970	-	-	-	-	4,941,970
Intergovernmental	174,330	-	42,656	-	3,951,365	4,168,351
Interest on investments	409,357	24,955	1,540,065	594,319	21,633	2,590,329
Miscellaneous	562,202	-	348,283	-	44,738	955,223
Total revenues	<u>38,737,455</u>	<u>1,723,860</u>	<u>1,931,004</u>	<u>7,772,624</u>	<u>4,112,822</u>	<u>54,277,765</u>
<b>EXPENDITURES</b>						
Current:						
General government	14,387,576	-	-	-	1,275,605	15,663,181
Public safety	15,537,036	-	-	-	296,467	15,833,503
Community service	4,980,871	970,102	-	-	2,591,853	8,542,826
Capital outlay	881,499	-	25,809,461	-	19,397	26,710,357
Debt service:						
Principal	54,496	-	-	4,695,000	-	4,749,496
Interest and fiscal charges	5,385	-	862,900	4,039,047	-	4,907,332
Total expenditures	<u>35,846,863</u>	<u>970,102</u>	<u>26,672,361</u>	<u>8,734,047</u>	<u>4,183,322</u>	<u>76,406,695</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>2,890,592</u>	<u>753,758</u>	<u>( 24,741,357)</u>	<u>( 961,423)</u>	<u>( 70,500)</u>	<u>( 22,128,930)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	121,798	37,658	4,073,113	-	142,544	4,375,113
Transfers out	( 4,132,970)	-	( 97,499)	-	( 58,791)	( 4,289,260)
Capital related debt issued	-	-	57,003,627	5,691,373	-	62,695,000
Discount on debt issued	-	-	( 522,859)	-	-	( 522,859)
Total other financing sources and uses	<u>( 4,011,172)</u>	<u>37,658</u>	<u>60,456,382</u>	<u>5,691,373</u>	<u>83,753</u>	<u>62,257,994</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>( 1,120,580)</u>	<u>791,416</u>	<u>35,715,025</u>	<u>4,729,950</u>	<u>13,253</u>	<u>40,129,064</u>
<b>FUND BALANCES, BEGINNING</b>	<u>14,727,175</u>	<u>897,920</u>	<u>40,897,216</u>	<u>5,764,165</u>	<u>1,492,548</u>	<u>63,779,024</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 13,606,595</u>	<u>\$ 1,689,336</u>	<u>\$ 76,612,241</u>	<u>\$ 10,494,115</u>	<u>\$ 1,505,801</u>	<u>\$ 103,908,088</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF SAN MARCOS, TEXAS**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET ACTIVITIES**

**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

Net change in fund balances - total governmental funds: \$ 40,129,064

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. 24,774,249

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 136,324

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. ( 57,300,209)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. ( 114,087)

Internal service funds are used by management to charge the costs of certain activities, such as fleet maintenance and information technology, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities. ( 186,328)

Change in net assets of governmental activities \$ 7,439,013

**The accompanying notes are an integral part of these financial statements.**

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# CITY OF SAN MARCOS, TEXAS

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

### GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 26,552,139	\$ 26,667,568	\$ 30,426,277	\$ 3,758,709
Licenses and permits	854,195	854,195	813,976	( 40,219)
Fines and penalties	1,357,074	1,357,074	1,409,343	52,269
Charges for services	4,810,746	4,810,746	4,941,970	131,224
Intergovernmental	148,737	148,737	174,330	25,593
Interest on investments	500,000	500,000	409,357	( 90,643)
Other	324,882	324,882	562,202	237,320
Total revenues	<u>34,547,773</u>	<u>34,663,202</u>	<u>38,737,455</u>	<u>4,074,253</u>
<b>EXPENDITURES</b>				
Current:				
General government	15,221,960	14,710,095	14,387,576	322,519
Public safety	14,952,079	15,476,648	15,537,036	( 60,388)
Community service	4,880,042	4,988,093	4,980,871	7,222
Capital outlay	349,830	1,106,733	881,499	225,234
Debt service:				
Principal	59,850	60,334	54,496	5,838
Interest and other charges	-	-	5,385	( 5,385)
Total expenditures	<u>35,463,761</u>	<u>36,341,903</u>	<u>35,846,863</u>	<u>495,040</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>( 915,988)</u>	<u>( 1,678,701)</u>	<u>2,890,592</u>	<u>4,569,293</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	24,299	24,299	121,798	97,499
Transfers out	( 3,715,406)	( 4,132,970)	( 4,132,970)	-
Total other financing sources and uses	<u>( 3,691,107)</u>	<u>( 4,108,671)</u>	<u>( 4,011,172)</u>	<u>97,499</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>( 4,607,095)</u>	<u>( 5,787,372)</u>	<u>( 1,120,580)</u>	<u>4,666,792</u>
<b>FUND BALANCES, BEGINNING</b>	<u>14,727,175</u>	<u>14,727,175</u>	<u>14,727,175</u>	<u>-</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 10,120,080</u>	<u>\$ 8,939,803</u>	<u>\$ 13,606,595</u>	<u>\$ 4,666,792</u>

The accompanying notes are an integral part of these financial statements.

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# CITY OF SAN MARCOS, TEXAS

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

### HOTEL OCCUPANCY

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 1,256,929	\$ 1,256,929	\$ 1,698,905	\$ 441,976
Interest on investments	-	-	24,955	24,955
Total revenues	<u>1,256,929</u>	<u>1,256,929</u>	<u>1,723,860</u>	<u>466,931</u>
<b>EXPENDITURES</b>				
Current:				
Community service	<u>1,256,929</u>	<u>1,256,929</u>	<u>970,102</u>	<u>286,827</u>
Total expenditures	<u>1,256,929</u>	<u>1,256,929</u>	<u>970,102</u>	<u>286,827</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>753,758</u>	<u>753,758</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>37,658</u>	<u>37,658</u>	<u>37,658</u>	<u>-</u>
Total other financing sources and uses	<u>37,658</u>	<u>37,658</u>	<u>37,658</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>37,658</u>	<u>37,658</u>	<u>791,416</u>	<u>753,758</u>
<b>FUND BALANCE, BEGINNING</b>	<u>897,920</u>	<u>897,920</u>	<u>897,920</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 935,578</u>	<u>\$ 935,578</u>	<u>\$ 1,689,336</u>	<u>\$ 753,758</u>

The accompanying notes are an integral part of these financial statements.

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**CITY OF SAN MARCOS, TEXAS**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2008**

	Business-type Activities - Enterprise Funds				Governmental Activities-
	Electric	Water and Wastewater	Other Enterprise	Total	Internal Service
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 12,472,727	\$ 30,958,804	\$ 5,622,984	\$ 49,054,515	\$ 2,802,970
Investments	4,010,626	32,021,990	7,519,764	43,552,380	-
Accounts receivable, net	7,261,768	3,303,873	383,156	10,948,797	688
Due from other funds	-	2,439,426	24,626	2,464,052	-
Inventories	882,776	370,851	-	1,253,627	-
Prepaid items	15,849	2,783	948	19,580	-
Other receivables	804	-	-	804	-
Total current assets	<u>24,644,550</u>	<u>69,097,727</u>	<u>13,551,478</u>	<u>107,293,755</u>	<u>2,803,658</u>
Non-current assets:					
Deferred charges	215,699	2,117,930	225,863	2,559,492	-
Capital assets:					
Land	31,695	1,313,997	100,337	1,446,029	-
Buildings	472,092	1,557,930	4,339,745	6,369,767	-
Improvements other than buildings	14,204,681	105,349,344	10,932,170	130,486,195	-
Furnishings and equipments	2,045,550	4,584,824	392,171	7,022,545	-
Construction in progress	12,708,907	34,369,148	3,431,023	50,509,078	-
Less accumulated depreciation	( 11,557,927)	( 35,367,528)	( 8,089,455)	( 55,014,910)	-
Total capital assets	<u>17,904,998</u>	<u>111,807,715</u>	<u>11,105,991</u>	<u>140,818,704</u>	<u>-</u>
Total non-current assets	<u>18,120,697</u>	<u>113,925,645</u>	<u>11,331,854</u>	<u>143,378,196</u>	<u>-</u>
Total assets	<u>\$ 42,765,247</u>	<u>\$ 183,023,372</u>	<u>\$ 24,883,332</u>	<u>\$ 250,671,951</u>	<u>\$ 2,803,658</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 5,168,160	\$ 3,316,428	\$ 648,954	\$ 9,133,542	\$ 132,816
Due to other funds	618,681	485,609	54,362	1,158,652	-
Deferred revenue	-	-	5,134	5,134	320
Claims payable	-	-	-	-	862,055
Customer deposits	1,776,118	579,034	93,191	2,448,343	-
Accrued interest payable	161,985	820,426	161,476	1,143,887	-
Compensated absences	113,373	108,612	-	221,985	-
Current maturities of long-term debt	865,000	4,065,000	743,475	5,673,475	-
Total current liabilities	<u>8,703,317</u>	<u>9,375,109</u>	<u>1,706,592</u>	<u>19,785,018</u>	<u>995,191</u>
Non-current liabilities:					
Long-term debt	8,412,415	92,076,826	11,571,525	112,060,766	-
Total non-current liabilities	<u>8,412,415</u>	<u>92,076,826</u>	<u>11,571,525</u>	<u>112,060,766</u>	<u>-</u>
Total liabilities	<u>17,115,732</u>	<u>101,451,935</u>	<u>13,278,117</u>	<u>131,845,784</u>	<u>995,191</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	9,533,982	47,368,934	7,047,147	63,950,063	-
Unrestricted	<u>16,115,533</u>	<u>34,202,503</u>	<u>4,558,068</u>	<u>54,876,104</u>	<u>1,808,467</u>
Total net assets	<u>\$ 25,649,515</u>	<u>\$ 81,571,437</u>	<u>\$ 11,605,215</u>	<u>118,826,167</u>	<u>\$ 1,808,467</u>

The assets and liabilities of certain internal service funds are not included in the fund financial statement, but are included in the business-type activities of the statement of net assets.

321,671

Total net assets per government-wide financial statements

\$ 119,147,838

**The accompanying notes are an integral part of these financial statements.**

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# CITY OF SAN MARCOS, TEXAS

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET ASSETS

### PROPRIETARY FUNDS

**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Business-type Activities - Enterprise Funds				Governmental Activities
	Electric	Water and Wastewater	Other Enterprise	Total	Internal Service
<b>OPERATING REVENUES</b>					
Charges for services	\$ 49,787,885	\$ 28,352,029	\$ 2,890,459	\$ 81,030,373	\$ -
Employer contributions	-	-	-	-	2,533,667
Employee contributions	-	-	-	-	691,608
Retiree contributions	-	-	-	-	108,833
Pharmacy rebates	-	-	-	-	8,359
Other refunds	-	-	-	-	144,333
Total operating revenues	49,787,885	28,352,029	2,890,459	81,030,373	3,486,800
<b>OPERATING EXPENSES</b>					
Purchased power	37,147,196	-	-	37,147,196	-
Franchise taxes	4,239,776	2,199,084	-	6,438,860	-
Personnel services	2,765,580	2,581,395	202,221	5,549,196	-
Contracted services	729,696	5,530,061	1,717,772	7,977,529	-
Materials and supplies	310,319	811,886	43,277	1,165,482	-
Indirect costs	1,496,845	3,198,535	83,442	4,778,822	-
Claims	-	-	-	-	3,396,571
Other charges	1,360,875	695,227	40,381	2,096,483	393,947
Depreciation	667,552	4,552,641	770,035	5,990,228	-
Total operating expenses	48,717,839	19,568,829	2,857,128	71,143,796	3,790,518
<b>OPERATING INCOME</b>	1,070,046	8,783,200	33,331	9,886,577	( 303,718)
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Interest on investment	612,447	1,852,463	337,072	2,801,982	79,227
Interest and fiscal charges	( 468,184)	( 4,304,157)	( 426,092)	( 5,198,433)	-
Capital recovery fees	-	939,020	-	939,020	-
Other	5,730	612,342	-	618,072	-
Total non-operating revenue (expenses)	149,993	( 900,332)	( 89,020)	( 839,359)	79,227
<b>INCOME BEFORE TRANSFERS</b>	1,220,039	7,882,868	( 55,689)	9,047,218	( 224,491)
Capital contributions	-	710,000	-	710,000	-
Transfers in	-	-	149,112	149,112	-
Transfers out	( 98,333)	( 136,632)	-	( 234,965)	-
<b>CHANGE IN NET ASSETS</b>	1,121,706	8,456,236	93,423	9,671,365	( 224,491)
<b>TOTAL NET ASSETS, BEGINNING</b>	24,527,809	72,686,034	11,511,792	108,725,635	2,032,958
<b>PRIOR PERIOD ADJUSTMENT</b>	-	429,167	-	429,167	-
<b>TOTAL NET ASSETS, ADJUSTED</b>	24,527,809	73,115,201	11,511,792	109,154,802	2,032,958
<b>TOTAL NET ASSETS, ENDING</b>	\$ 25,649,515	\$ 81,571,437	\$ 11,605,215	118,826,167	\$ 1,808,467
Change in net assets, per above				9,671,365	
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of certain internal service funds is reported with Business Activities.				( 38,163)	
Change in business-type activities in net assets per government-wide financial statements				\$ 9,633,202	

**The accompanying notes are an integral part of these financial statements.**

# CITY OF SAN MARCOS, TEXAS

## STATEMENT OF CASH FLOWS

### PROPRIETARY FUNDS

YEAR ENDED SEPTEMBER 30, 2008

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Electric	Water and Wastewater	Other Funds	Totals	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from customers	\$ 48,546,843	\$ 28,574,057	\$ 2,911,536	\$ 80,032,436	\$ 3,487,123
Cash paid to suppliers for goods and services	( 44,155,003)	( 14,526,632)	( 1,521,001)	( 60,202,636)	( 3,074,001)
Cash paid to employees for services	( 2,700,276)	( 2,516,977)	( 197,029)	( 5,414,282)	-
Net cash provided by operating activities	<u>1,691,564</u>	<u>11,530,448</u>	<u>1,193,506</u>	<u>14,415,518</u>	<u>413,122</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers from other funds	-	-	149,112	149,112	-
Transfers to other funds	( 98,333)	( 136,632)	-	( 234,965)	-
Net cash used by noncapital financing activities	<u>( 98,333)</u>	<u>( 136,632)</u>	<u>149,112</u>	<u>( 85,853)</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Proceeds from capital debt	-	13,915,000	4,605,000	18,520,000	-
Capital contributions	-	710,000	-	710,000	-
Capital recovery fees	-	939,020	-	939,020	-
Principal paid on debt	( 825,000)	( 3,639,585)	( 315,000)	( 4,779,585)	-
Interest and fiscal charges paid on debt	( 427,966)	( 3,897,994)	( 406,635)	( 4,732,595)	-
Acquisition of capital assets	( 1,562,493)	( 11,642,101)	( 2,149,004)	( 15,353,598)	-
Net cash used by capital and related financing activities	<u>( 2,815,459)</u>	<u>( 3,615,660)</u>	<u>1,734,361</u>	<u>( 4,696,758)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Proceeds from sales and maturities of investments	6,527,613	( 13,839,606)	( 5,827,234)	( 13,139,227)	1,521,958
Interest received	<u>612,447</u>	<u>1,852,463</u>	<u>337,072</u>	<u>2,801,982</u>	<u>79,227</u>
Net cash provided (used) by investing activities	<u>7,140,060</u>	<u>( 11,987,143)</u>	<u>( 5,490,162)</u>	<u>( 10,337,245)</u>	<u>1,601,185</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>5,917,832</u>	<u>( 4,208,987)</u>	<u>( 2,413,183)</u>	<u>( 704,338)</u>	<u>2,014,307</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<u>6,554,895</u>	<u>35,167,791</u>	<u>8,036,167</u>	<u>49,758,853</u>	<u>788,663</u>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<u>\$ 12,472,727</u>	<u>\$ 30,958,804</u>	<u>\$ 5,622,984</u>	<u>\$ 49,054,515</u>	<u>\$ 2,802,970</u>

(continued)

# CITY OF SAN MARCOS, TEXAS

## STATEMENT OF CASH FLOWS

### PROPRIETARY FUNDS

(Continued)

YEAR ENDED SEPTEMBER 30, 2008

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Electric	Water and Wastewater	Other Funds	Totals	
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	\$ 1,070,046	\$ 8,783,200	\$ 33,331	\$ 9,886,577	\$( 303,718)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	667,552	4,552,641	770,035	5,990,228	-
Other nonoperating revenues	5,730	612,342	-	618,072	-
Changes in assets and liabilities:					
Decrease (increase) in assets:					
Accounts receivable	( 1,241,042)	222,028	21,077	( 997,937)	323
Due from other funds	1,749,593	( 2,091,222)	34,489	( 307,140)	517,246
Other assets	19,029	1,652	12	20,693	-
Inventories	35,329	( 103,414)	-	( 68,085)	-
Other receivables	3,508	-	-	-	-
Prepaid items	( 15,849)	( 2,783)	( 948)	( 19,580)	-
Increase (decrease) in liabilities:					
Accounts payable	1,384,054	1,431,240	283,095	3,098,389	132,816
Due to other funds	( 2,132,511)	( 2,012,056)	( 39,821)	( 4,184,388)	-
Deferred revenue	-	-	( 955)	( 955)	320
Claims payable	-	-	-	-	66,135
Compensated absences	( 21,064)	25,104	-	4,040	-
Customer deposits	167,189	111,716	93,191	372,096	-
Net cash provided by operations	\$ <u>1,691,564</u>	\$ <u>11,530,448</u>	\$ <u>1,193,506</u>	\$ <u>14,415,518</u>	\$ <u>413,122</u>

The accompanying notes are an integral part of these financial statements.

# CITY OF SAN MARCOS, TEXAS

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting Entity

The City of San Marcos, Texas (the City) was incorporated July 11, 1877, while the City's Home Rule Charter was adopted by election in 1967. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, general and administrative, electric, water and wastewater services.

The accompanying financial statements comply with the provisions of the GASB Statement No. 14 and 39, "The Financial Reporting Entity," in that the financial statements include all organizations, activities, functions and component units for which the City (the "primary government") is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the City's ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the City. There are no component units which satisfy requirements for blending within the City's financial statements or for discrete presentation.

#### B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenue, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenue* includes 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as *general revenue*.

Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

(continued)



## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be *available* when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if collected within 30 days of the end of the current fiscal period. Property taxes availability period is considered to be 60 days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, sales taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Hotel Occupancy Fund** accounts for the activities associated with hotel occupancy taxes.

The **Capital Projects Fund** accounts for the acquisition of fixed assets or construction of major capital projects not being financed by other funds.

The **Debt Service Fund** accounts for the accumulation of resources for the payment of general long-term principal, interest, and related costs.

The City reports the following major proprietary funds:

The **Electric Fund** accounts for the activities necessary for the provision of electric services.

The **Water and Wastewater Fund** accounts for the activities necessary for the provision of water and sewer services.

(continued)

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Additionally, the County reports the following fund type:

*Internal Service Fund* accounts for health benefits provided to other departments or agencies of the City on a cost-reimbursement basis.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and Enterprise Funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and wastewater function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenue reported for the various functions concerned.

Amounts reported as *program revenues* include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Enterprise Funds are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

#### **Deposits and Investments**

The City's cash and cash equivalents are considered to be cash on hand, certificates of deposit, investment securities with a maturity of three months or less from the date of purchase.

(continued)

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **D. Assets, Liabilities and Net Assets or Equity**

#### **Deposits and Investments (Continued)**

Statutes authorize the City to invest in obligations of U. S. Treasury or its agencies and instrumentalities, obligations of the state or its agencies, other investments guaranteed by the U. S. Treasury or the State of Texas, or investments rated by a national rating company at "A" or better. The City is also authorized to invest in fully collateralized repurchase agreements, local government investment pools, and in certificates of deposit issued by banks domiciled in Texas that are FDIC insured or have securities (of aforementioned quality) pledged to secure these deposits. The investment of idle funds has been restricted to U. S. Government Treasury and agency securities and time deposits with the City's depository banks.

Investments for the City are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

#### **Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (i.e., the current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 180 days comprise the trade accounts receivable allowance for uncollectibles. The property tax receivable allowance is equal to 15 percent of outstanding property taxes at September 30, 2008.

Property taxes are levied on October 1 and attach as an enforceable lien on property as of January 1. Statements are mailed on October 1, or as soon thereafter as possible, and are due upon receipt. All unpaid taxes become delinquent if not paid before February 1 of the following year.

#### **Inventories and Prepaid Items**

Inventory is valued at cost using the average cost method of accounting. Inventory in the General Fund consists of expendable supplies held for consumption. The cost of inventory is recorded as an expenditure at the time individual inventory items are consumed (consumption method). Inventory reported in the General Fund is offset by a fund balance reserve which indicates that it does not represent "available spendable resources" even though it is a component of net current assets. Inventory in the Water and Wastewater and Electric Funds consists of parts and maintenance items.

(continued)

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### D. Assets, Liabilities and Net Assets or Equity (Continued)

#### **Inventories and Prepaid Items** (Continued)

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

#### **Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20-50
Improvements	10-40
Equipment	5-10
Infrastructure (streets and drainage)	35-125

#### **Compensated Absences**

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. A liability for these amounts is reported in the applicable governmental funds and business-type funds as it is due to the employees at the time of resignation and retirement. The liability is recorded as follows: All employees are entitled to be paid up to 30 days (90 days with 20 years of continuous service) of accumulated vacation; in addition Civil Service-Police are entitled to be paid up to 90 days of sick and Civil Service-Fire is entitled to 90 days of sick at 1,080 hours for 12-hour days.

#### **Long-term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

(continued)

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **D. Assets, Liabilities and Net Assets or Equity (Continued)**

#### **Long-term Obligations (Continued)**

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### **Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

#### **Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

#### **Estimates**

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

#### **Comparative Data/Reclassifications**

Comparative total data for the prior year have been presented in order to provide an understanding of the changes in the financial position and operations. Also, certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation.

## 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

### Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains, “Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$(132,618,373) difference are as follows:

General obligation bonds	\$( 129,410,000)
Discounts on bonds	735,753
Accrued interest payable	( 2,079,059)
Capitalized lease obligations	( 14,059)
Compensated absences	( 3,795,985)
Deferred charge for bond issuance costs	<u>1,944,977</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>\$( 132,618,373)</u>

### Explanation of Certain Differences Between the Governmental Fund Statement of Revenue, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenue, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental fund* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, “Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$24,774,249 difference are as follows:

Capital outlay	\$ 30,161,428
Depreciation expense	<u>( 5,387,179)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 24,774,249</u>

Another element of that reconciliation states, “Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.” The details of this \$136,324 difference are as follows:

Property taxes	\$ 135,164
Court fines	<u>1,160</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 136,324</u>

(continued)

## 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

### Explanation of Certain Differences Between the Governmental Fund Statement of Revenue, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities (Continued)

Another element of that reconciliation states, "The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets." The details of this \$(57,300,209) difference are as follows:

Debt issued or incurred:	
Issuance of general obligation bonds	\$( 62,695,000)
Deferred charge for bond issuance costs	1,632,657
Interest payable	( 987,362)
Principal repayments:	
Capital lease financing	54,496
General obligation debt	<u>4,695,000</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$( 57,300,209)</u>

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this \$(114,087) difference are as follows:

Compensated absences	\$( <u>114,087</u> )
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$( 114,087)</u>

## 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### Budgetary Information

The City Charter prescribes certain requirements for adoption of an annual operating budget by the City Council. The Council must have a public hearing on the budget and may not adopt the budget until after 14 days after the hearing. The budget is to be adopted at least 15 days before the beginning of the fiscal year to which it applies.

(continued)

### 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

#### **Budgetary Information** (Continued)

The amounts of proposed expenditures become appropriated to the objects and purposes named in the budget upon the effective date after adoption. The total estimated expenditures of the General Fund shall not exceed the total estimated resources of the fund (prospective income plus cash on hand).

The City budget may be amended and appropriations may be altered in cases of public necessity, as declared by the City Council. The City Manager has the ability to reallocate funds from one line item to another within the various budget categories within the same department (i.e., personnel services, other charges, contracted services, etc.), but City Council approval is required for budget adjustments between departments.

The budget ordinance states that expenditures should not exceed the budget in the various departments (administration, personnel, finance, etc.) within an individual fund. The City's appropriation ordinance approves items as detailed in the approved budget. Budgeted amounts reported are based on the budget ordinance originally adopted and as amended by the City Council throughout the year.

Formal budgetary accounting is employed for all funds of the City, excluding Grants and Special Entitlements, Karnack, Emergency Relief, Seized Asset, Library Memorial, Cemetery, Municipal Court Security Fee, Parks and Recreation, Capital Projects and the Cemetery Perpetual Permanent Fund. Annual operating budgets are prepared and presented for the General Fund, Debt Service Fund, and all other Special Revenue Funds. All annual appropriations lapse at fiscal year-end.

Budgets for the Governmental Fund Types are prepared and adopted on the GAAP basis. Budgets for expenses used for managerial control have been prepared for the Enterprise Funds on a non-GAAP basis, which excludes depreciation, but includes capital outlay and total debt service.

The City Council made several supplemental budgetary appropriations throughout the year. The supplemental budgetary appropriations were not considered material.



#### **4. DETAILED NOTES ON ALL FUNDS**

##### **Deposits and Investments**

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable investments, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U. S. Treasury, certain U. S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local parties.

In compliance with the Public Funds Investment Act, the City has adopted a deposit and investment policy. That policy does address the following risks:

1. Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U. S. Government Obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. As of September 30, 2008, the City had a bank balance of \$2,065,794. Of this amount, \$1,965,794 was collateralized with securities held by the pledging financial institution and \$100,000 of the deposits was covered by FDIC insurance and the remaining deposits were uncollateralized at year-end.
2. Credit Risk: It is the City's policy to limit investments to investment types with an investment quality rating no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service or no lower than investment grade by at least one nationally recognized rating service with a weighted average maturity no greater than 90 days. The City's investment pool was rated AAAM by Standard and Poor's Investors Services.
3. Interest Rate Risk: In accordance with the City's investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to 270 days or less, dependent on market conditions.

(continued)

#### 4. DETAILED NOTES ON ALL FUNDS (Continued)

##### Deposits and Investments (Continued)

4. Concentration of Credit Risk: The government's investment policy states the maximum percentage allowed for each different investment instrument that can be used to make up the portfolio.

The City's investments at September 30, 2008, are shown below:

	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Agency</u>	<u>Weighted Average Maturity (Days)</u>
TexStar	\$ 53,257,991	AAAm	Standard & Poor's	24
Money Markets	45,872,400	AAAm	Standard & Poor's	N/A
FNMA	62,755,626	AAA	Standard & Poor's	120
FMHL	15,925,313	AAA	Standard & Poor's	113
Freddie Mac	<u>18,017,196</u>	AAA/A-1+	Standard & Poor's	120
Total Fair Value	<u>\$ 195,828,526</u>			

Texas Short-term Asset Reserve Program (TexStar) has been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. These two acts provide for the creation of public fund investment pools and permit eligible governmental entities to jointly invest their funds in authorized investments.

All investments are stated at amortized cost, which in most cases approximates the fair value of the securities. The objective is to maintain a stable \$1.00 net asset value; however, the \$1.00 net asset value is not guaranteed or insured. All securities will be marked-to-market daily. If the ratio of the market value of the portfolio divided by the book value of the portfolio is less than \$0.995 or greater than \$1.005, the pool will sell portfolio holdings, as required, to maintain the ratio between \$0.995 and \$1.005. All gains or losses from the sale of securities will be distributed among participants over a period of up to thirty (30) days from the date of which the gain or loss is realized.

(continued)

#### 4. DETAILED NOTES ON ALL FUNDS (Continued)

##### Receivables

Receivables as of year-end for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Hotel Occupancy	Capital Projects	Debt Service	Electric	Water/ Wastewater	Nonmajor Funds	Total
Receivables:								
Taxes	\$ 2,451,636	\$ 576,885	\$ -	\$ 324,877	\$ -	\$ -	\$ -	\$ 3,353,398
Accounts	377,125	-	376,626	-	8,672,785	3,887,501	491,595	13,805,632
Due from governments	-	-	-	-	-	-	2,167,921	2,167,921
Other	-	-	-	-	804	-	-	804
Loans	-	-	-	-	-	-	77,087	77,087
Gross receivables	2,828,761	576,885	376,626	324,877	8,673,589	3,887,501	2,736,603	19,404,842
Less: allowance for uncollectibles	( 40,377)	( 3,771)	-	( 41,664)	( 1,411,017)	( 583,628)	( 105,468)	( 2,185,925)
Net total receivables	\$ 2,788,384	\$ 573,114	\$ 376,626	\$ 283,213	\$ 7,262,572	\$ 3,303,873	\$ 2,631,135	\$ 17,218,917

Governmental funds report *deferred revenue* in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

	Unavailable	Unearned
Delinquent property taxes receivable (General Fund)	\$ 696,188	\$ -
Activity Center (General Fund)	34,239	-
Other (General Fund)	-	164,350
Delinquent property taxes receivable (Debt Service)	258,696	-
Hotel occupancy	-	32
Grant drawdowns (Nonmajor governmental)	-	403,159
Total Deferred/Unearned Revenue for Governmental Funds	\$ 989,123	\$ 567,541

(continued)

#### 4. DETAILED NOTES ON ALL FUNDS (Continued)

##### Capital Assets

Capital asset activity for the year ended September 30, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Government activities:				
Capital assets, not being depreciated:				
Land	\$ 4,865,153	\$ 2,414,000	\$ -	\$ 7,279,153
Construction in progress	30,618,148	22,354,004	( 18,991,237)	33,980,915
Total assets not being depreciated	<u>35,483,301</u>	<u>24,768,004</u>	<u>( 18,991,237)</u>	<u>41,260,068</u>
Capital assets, being depreciated:				
Buildings	16,373,421	14,430,000	-	30,803,421
Machinery and equipment	19,968,387	1,653,538	-	21,621,925
Improvements other than buildings	38,398,803	1,997,223	-	40,396,026
Infrastructure	12,522,536	6,303,900	-	18,826,436
Total capital assets being depreciated	<u>87,263,147</u>	<u>24,384,661</u>	<u>-</u>	<u>111,647,808</u>
Less accumulated depreciation:				
Buildings	( 3,717,554)	( 376,602)	-	( 4,094,156)
Machinery and equipment	( 14,046,477)	( 1,391,273)	-	( 15,437,750)
Improvements other than buildings	( 9,964,357)	( 2,578,302)	-	( 12,542,659)
Infrastructure	( 5,973,710)	( 1,041,002)	-	( 7,014,712)
Total accumulated depreciation	<u>( 33,702,098)</u>	<u>( 5,387,179)</u>	<u>-</u>	<u>( 39,089,277)</u>
Total capital assets being depreciated, net	<u>53,561,049</u>	<u>18,997,482</u>	<u>-</u>	<u>72,558,531</u>
Governmental activities capital assets, net	<u>\$ 89,044,350</u>	<u>\$ 43,765,486</u>	<u>\$ ( 18,991,237)</u>	<u>\$ 113,818,599</u>

(continued)

#### 4. DETAILED NOTES ON ALL FUNDS (Continued)

##### Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 1,295,061	\$ 150,968	\$ -	\$ 1,446,029
Construction in progress	61,401,358	14,689,432	( 25,581,712)	50,509,078
Total assets not being depreciated	62,696,419	14,840,400	( 25,581,712)	51,955,107
Capital assets, being depreciated:				
Buildings	6,369,767	-	-	6,369,767
Machinery and equipment	6,475,366	547,179	-	7,022,545
Improvements other than buildings	104,938,464	25,547,731	-	130,486,195
Total capital assets being depreciated	117,783,597	26,094,910	-	143,878,507
Less accumulated depreciation:				
Buildings	( 2,815,120)	( 176,274)	-	( 2,991,394)
Machinery and equipment	( 4,154,789)	( 428,209)	-	( 4,582,998)
Improvements other than buildings	( 42,054,773)	( 5,385,745)	-	( 47,440,518)
Total accumulated depreciation	( 49,024,682)	( 5,990,228)	-	( 55,014,910)
Total capital assets being depreciated, net	68,758,915	20,104,682	-	88,863,597
Business-type activities capital assets, net	\$ 131,455,334	\$ 34,945,082	\$ ( 25,581,712)	\$ 140,818,704

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 3,782,222
Public safety	781,180
Community services	823,777
Total depreciation expense - governmental activities	\$ 5,387,179
Business-type activities:	
Electric	\$ 667,552
Water and wastewater	4,552,641
Airport	519,873
Stormwater drainage	250,162
Total depreciation expense - business-type activities	\$ 5,990,228

(continued)

#### 4. DETAILED NOTES ON ALL FUNDS (Continued)

##### Interfund Receivables, Payables and Transfers

The composition of interfund balances as of September 30, 2008, is as follows:

##### **Due to/from other funds:**

Receivable Fund	Payable Fund	Amount
General	Hotel occupancy	\$ 198
	Nonmajor governmental	1,855,734
	Water and wastewater	449,341
	Electric	618,681
	Nonmajor enterprise	29,394
Capital projects	General	297,494
	Nonmajor governmental	21,166
	Water and wastewater	19,745
	Nonmajor enterprise	19,250
Nonmajor governmental	General	37,300
Water and wastewater	General	375
	Capital projects	2,433,333
	Nonmajor enterprise	5,718
Nonmajor enterprise	Capital projects	8,103
	Water and wastewater	16,523

Balances resulted from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

##### **Interfund transfers:**

	Transfers In					Total
	General	Hotel Occupancy	Capital Projects	Nonmajor Governmental	Nonmajor Enterprise	
Transfers Out:						
General	\$ -	\$ 37,658	\$ 3,831,156	\$ 115,044	\$ 149,112	\$ 4,132,970
Capital projects	69,999	-	-	27,500	-	97,499
Nonmajor governmental	51,799	-	6,992	-	-	58,791
Electric	-	-	98,333	-	-	98,333
Water and wastewater	-	-	136,632	-	-	136,632
Total	\$ 121,798	\$ 37,658	\$ 4,073,113	\$ 142,544	\$ 149,112	\$ 4,524,225

(continued)

4. **DETAILED NOTES ON ALL FUNDS (Continued)**

**Interfund Receivables, Payables and Transfers** (Continued)

Transfers are used to 1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, 2) move receipts restricted to debt service from the funds collecting the receipts to the Debt Service Fund as debt service payments become due, and 3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**Leases**

**Capital Leases**

The City has acquired certain capital assets for governmental and business-type activities through the use of lease purchase agreements. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	<u>Amount</u>
Governmental activities:	
Fire trucks and equipment	\$ 333,823
Equipment	<u>130,604</u>
 Total governmental capital assets	 \$ <u>464,427</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2008, were as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>
2009	\$ <u>14,294</u>
Total minimum lease payments	14,294
Less: amount representing interest	( <u>235</u> )
 Present value of minimum lease payments	 \$ <u>14,059</u>

(continued)

#### 4. DETAILED NOTES ON ALL FUNDS (Continued)

##### Long-term Debt

##### **General Obligation Bonds and Combination Tax and Revenue Bonds**

The government issues general obligation bonds and combination tax and revenue bonds to provide funds for the acquisition and construction of major capital facilities. These debt issues have been issued for both governmental and business-type activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenue. The original amount of general obligation and combination tax and revenue bonds issued in prior years was \$175,990,000. During the year, general obligation and combination tax and revenue bonds totaling \$81,215,000 were issued to fund both general obligation and revenue projects.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. Combination Tax and Revenue bonds constitute direct obligations of the City and are payable from a combination of the levy of ad valorem taxes and a limited pledge of surplus revenues of the City's water and wastewater system. Both bonds generally are issued as 20-year serial bonds with equal amounts of principal maturing each year. Bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities	3.50 - 4.61%	\$ 121,865,000
Governmental activities - refunding	3.50 - 5.375%	7,545,000
Business-type activities	3.50 - 5.00%	<u>118,340,000</u>
		<u>\$ 247,750,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 4,186,525	\$ 7,156,633
2010	3,398,325	5,854,668
2011	4,105,250	5,701,307
2012	5,694,475	5,527,119
2013-2017	30,251,900	23,932,224
2018-2022	32,075,200	16,918,989
2023-2027	30,993,325	9,287,697
2028-2032	<u>18,705,000</u>	<u>2,415,594</u>
Total	<u>\$ 129,410,000</u>	<u>\$ 76,794,231</u>

(continued)



**4. DETAILED NOTES ON ALL FUNDS (Continued)**

**Long-term Debt (Continued)**

**General Obligation Bonds and Combination Tax and Revenue Bonds (Continued)**

**Revenue Bonds**

Annual debt service requirements to maturity for revenue bonds are as follows:

Year Ending September 30,	Business-type Activities	
	Principal	Interest
2009	\$ 5,673,475	\$ 5,686,665
2010	5,906,675	5,199,323
2011	6,139,750	4,850,684
2012	6,370,525	4,595,666
2013-2017	36,018,100	18,710,875
2018-2022	29,959,800	10,835,249
2023-2027	23,226,675	4,795,129
2028-2032	2,520,000	1,056,815
2033-2037	<u>2,525,000</u>	<u>335,760</u>
Total	<u>\$ 118,340,000</u>	<u>\$ 56,066,166</u>

**Defeasance of Bonds**

In prior years, the City defeased certain bonds by placing the proceeds of refunding bonds in irrevocable trusts to provide for all future debt service payments on the defeased bonds. Accordingly, the trusts' assets and liabilities for the defeased bonds are not included in the City's financial statements. At September 30, 2008, the outstanding balance of the defeased bonds is \$21,130,000.

(continued)

#### 4. DETAILED NOTES ON ALL FUNDS (Continued)

##### Long-term Debt (Continued)

##### Changes in Long-term Liabilities

Long-term liability activity for the year ended September 30, 2008, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities</b>					
General obligation bonds	\$ 71,410,000	\$ 62,695,000	\$ 4,695,000	\$ 129,410,000	\$ 4,186,525
Capital leases	68,555	-	54,496	14,059	14,059
Discount on bonds	( 260,898)	( 522,859)	48,004	( 735,753)	( 34,213)
Compensated absences	<u>3,681,898</u>	<u>114,087</u>	<u>-</u>	<u>3,795,985</u>	<u>1,928,406</u>
Governmental activity					
Long-term liabilities	<u>\$ 74,899,555</u>	<u>\$ 62,286,228</u>	<u>\$ 4,797,500</u>	<u>\$ 132,388,283</u>	<u>\$ 6,094,777</u>
<b>Business-type activities</b>					
Bonds payable:					
Revenue bonds	\$ 104,580,000	\$ 18,520,000	\$ 4,760,000	\$ 118,340,000	\$ 5,673,475
Premium on bonds	1,201,102	-	86,521	1,114,581	-
Deferred amount on					
refundings	( 1,747,656)	-	( 147,266)	( 1,600,390)	-
Discount on bonds	( 46,209)	( 83,663)	( 9,922)	( 119,950)	-
Total bonds payable	103,987,237	18,436,337	4,689,333	117,734,241	5,673,475
Capital leases	19,585	-	19,585	-	-
Compensated absences	<u>217,945</u>	<u>25,104</u>	<u>21,064</u>	<u>221,985</u>	<u>221,985</u>
Business-type activity					
Long-term liabilities	<u>\$ 104,224,767</u>	<u>\$ 18,461,441</u>	<u>\$ 4,729,982</u>	<u>\$ 117,956,226</u>	<u>\$ 5,895,460</u>

The compensated absences liability attributable to the governmental activities will be liquidated primarily by the General Fund.

##### Other Information

##### Benefits Management

The City sponsors an employee benefit plan that provides partially self-insured medical and self-insured dental coverage to employees and voluntary coverage to their participating dependents. The plan is designed to provide a specified level of coverage, with excess insurance coverage provided in both specific and aggregate reinsurance. The City's maximum medical claim exposure for a specific covered person is limited to \$85,000. Each covered person is subject to a maximum lifetime benefit reimbursement of \$1,000,000 for medical and a maximum annual benefit on dental of \$1,250. Aggregate coverage for the plan based on monthly enrollment limits the total medical claims exposure.

(continued)

#### 4. DETAILED NOTES ON ALL FUNDS (Continued)

##### Other Information (Continued)

##### **Benefits Management** (Continued)

The plan includes a pre-existing clause to deter adverse selection into the plan subject to the provisions of the Health Insurance Portability and Accountability Act of 1996. Features of the medical plan include a preferred provider organization and various cost containment features such as a tiered co-pay structure to encourage use of lower cost drugs and managing utilization based on therapeutic equivalencies. The medical plan continues to build wrap around networks and contracting for specialized services such as lab to manage costs. The plan is funded by contributions from the City and participating employees based on recommendations of maximum plan exposure as calculated by an employee benefits specialty firm. Projected claim costs are based on claims experience, lag studies, industry trends, consideration of claims run off, census and aggregate factors. A liability for claims is established based on estimated incurred but not recorded claims outstanding and anticipated associated insurance and administrative costs. The stop-loss contract establishes the aggregate attachment point based on census and aggregate factors defined in the contract.

A reconciliation of changes in the aggregate liabilities of the prior and current year is presented below:

<u>Year Ended September 30,</u>	<u>Beginning Liability</u>	<u>Current Year Claims and Changes in Estimate</u>	<u>Claim Payments</u>	<u>Ending Liability</u>
2006	\$ 780,785	\$ 2,665,238	\$ 2,547,583	\$ 898,440
2007	898,440	2,472,275	2,574,795	795,920
2008	795,920	3,396,571	3,330,436	862,055

##### **Risk and Safety Management**

The City of San Marcos maintains a risk management program to prevent and mitigate accidental losses. Components of the program include the identification of exposure to loss and the selection, implementation and monitoring of risk management techniques. Prevention measures include activities such conducting training, annual review of covered assets and exposures to risk. In addition to topical training, programs include drug testing, safety awareness events and the "Safety Coach" Safety Leadership Development Program. Post incident measures designed to mitigate losses include incident investigation and management of claims through final disposition. A cornerstone of our commitment to managing workers' compensation claims is a return to work program. During this reporting period, we achieved a 41% premium modifier. In rating a workers' compensation program, an underwriter begins at 100%, which represents an average employer. This is 'modified' based on a specific employer's claim history and is among the lowest in the Texas Municipal Intergovernmental Risk Pool of which we are currently members. Collectively, risk management programs have resulted in direct savings in excess of \$445,000 during this reporting period.

(continued)

#### **4. DETAILED NOTES ON ALL FUNDS (Continued)**

##### **Other Information (Continued)**

##### **Risk and Safety Management (Continued)**

The City's Safety Program has been recognized by awards from the Public Risk Management Association (PRIMA) and the National Safety Council (NSC). The City's recognized Safety Coach Leadership Development program is at the core of these awards. This program develops employees in all departments and at all levels who incorporate safety into work processes. Because this is done with workers and communicated to all levels of management, corrective action occurs quickly and effectively to provide a safer work environment. Risk Management is the program liaison to address any recommended corrective action.

The City participates annually in the National Safety Councils Awards Program which presents achievement awards by category for occupational safety and health, safe worker and safe drivers. Twenty-five departments were recognized for maintaining a perfect record or a reduction in frequency of lost time injuries from the National Safety Council. Individual employees who serve in positions that are exposed to hazardous conditions and have a long work history without an accident are recognized at two levels: safe worker and safe driver. Two employees were recognized in each category for safe workers and safe driving.

The City held the 13th Annual Safety Expo in October, which provides training and safety awareness to all employees. The event included over 27 Health and Safety vendors in the expo with various safety demonstrations and was attended by 230 employees. The City held its Annual Employee Recognition and Safety Awards banquet in May. Twenty-one departments were recognized for maintaining a perfect safety record or achieving a reduction in lost time injuries over the prior year. Additionally, two employees were recognized for safe driving and two received occupational safety awards as Safe Workers. The event was attended by 300 employees.

##### **Contingent Liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

There are currently several claims and lawsuits pending against the City. It is the opinion of the City Attorney and City Staff that there is no pending litigation against the City that, if decided against the City, would have a material adverse effect upon the operations of the City or that would exceed the contingency amounts set aside for such purpose.

##### **Commitments**

The City purchases electric power at wholesale rates from The Lower Colorado River Authority for its own use to resell to customers of its electric distribution system. The initial term of the purchased-power agreement ends in 2016, with successive renewal periods of 10 years.

(continued)

#### 4. DETAILED NOTES ON ALL FUNDS (Continued)

##### Other Information (Continued)

Estimated costs to complete construction in progress at year-end totals approximately \$73,420,532 for governmental capital assets, \$43,488,239 for Water and Wastewater, \$6,191,639 for Electric, \$395,610 for Airport, and \$9,189,729 for Drainage.

##### Pension Plans – Primary Government

###### Defined Benefit Plan – Texas Municipal Retirement System (TMRS)

**Plan Description.** The City provides pension benefits for all employees working a thousand hours or more annually through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 827 administered by TMRS, an agent multiple-employer public employee retirement system.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes. Plan provisions for the City were as follows

Deposit Rate:	7%
Matching Ratio (City to Employee):	2 to 1
A member is vested after	5 years

Members can retire at certain ages, based on the years of service with the City. The Service Retirement Eligibilities for the City are: 5 yrs/age 60, 20 yrs/any age

(continued)

#### 4. DETAILED NOTES ON ALL FUNDS (Continued)

##### Pension Plans – Primary Government (Continued)

##### Defined Benefit Plan – Texas Municipal Retirement System (TMRS) (Continued)

##### Contributions

Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (over funded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. The unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect (i.e. December 31, 2007 valuation is effective for rates beginning January 2009).

##### **Schedule of Actuarial Liabilities and Funding Progress**

Actual Valuation Date	12/31/05	12/31/06	12/31/07
Actuarial value of assets	\$ 43,807,523	\$ 47,190,722	\$ 50,085,654
Actuarial accrued liability	60,238,953	64,633,866	81,228,592
Percent funded	72.7%	73.0%	61.7%
Unfunded (overfunded) actuarial accrued liability (UAAL)	16,431,430	17,443,144	31,142,938
Annual covered payroll	18,833,204	19,397,795	21,987,155
UAAL as a percentage of covered payroll	87.2%	89.9%	141.6%
Net pension obligation (NPO at the beginning of period)	-	-	-
Annual Pension Cost:			
Annual required contribution (ARC)	2,808,869	2,763,751	2,991,661
Contributions made	2,808,869	2,763,751	2,991,661
Increase in NPO	-	-	-
NPO at the end of the period	\$ -	\$ -	\$ -

(continued)

#### 4. DETAILED NOTES ON ALL FUNDS (Continued)

##### Pension Plans – Primary Government (Continued)

##### Contributions (Continued)

##### **Actuarial Assumptions**

Actuarial Cost Method	-	Projected Unit Credit
Amortization Method	-	Level Percent of Payroll
Remaining Amortization Period	-	ed Period
Asset Valuation Method	-	Amortized Cost (to accurately reflect the requirements of GASB Statement No. 25, paragraphs 36e and 138)
Investment Rate of Return	-	7%
Projected Salary Increases	-	Varies by age and services
Includes Inflation at	-	3%
Cost-of-living Adjustments	-	2.1% (3% - CPI)
Payroll growth assumption		3.0%
Withdrawal rates for Male/Female		Mid/Mid

At its December 8, 2007 meeting, the TMRS Board of Trustees adopted actuarial assumptions to be used in the actuarial valuation for the year ended December 31, 2007. A summary of actuarial assumptions and definitions can be found in the December 31, 2007 TMRS Comprehensive Annual Financial Report (CAFR).

Since its inception, TMRS has used the Unit Credit actuarial funding method. This method accounts for liability accrued as of the valuation date, but does not project the potential future liability of provisions adopted by a city. Two-thirds of the cities participating in TMRS have adopted the Updated Service Credit and Annuity increases provisions on an annually repeating basis. For the December 31, 2007 valuation, the TMRS Board determined that the Projected Unit Credit (PUC) funding method should be used, which facilitates advance funding for future updated service credits and annuity increases that are adopted on an annually repeating basis. In addition, the Board also adopted a change in the amortization period from a 25-year “open” to a 25-year “closed” period. TMRS Board of Trustee rules provide that, whenever a change in actuarial assumptions or methods results in a contribution rate increase in an amount greater than 0.5%, the amortization period will be increased to 30 years, unless a city requests that the period remain at 25 years. For cities with repeating features, these changes would likely result initially in higher required contributions and lower funded ratios; however, the funded ratio should show steady improvement over time. To assist in this transition to higher rates, the Board also approved an eight-year phase-in period, which will allow cities the opportunity to increase their contributions gradually (approx. 12.5% each year) to their full rate (or their required contribution rate).

If the changes in actuarial funding method and assumptions had not been adopted for the 2007 valuation, the City’s unfunded actuarial accrued liability would have been \$19,280,801 and the funded ratio would have been 72.2%.

(continued)

#### 4. **DETAILED NOTES ON ALL FUNDS (Continued)**

##### **Pension Plans – Primary Government** (Continued)

##### **Contributions** (Continued)

In addition, TMRS is currently working on its legislative package for 2009. There is a possibility that the investment rate of return (IRR) assumption of 7% would need to be lowered if desired legislation for the 2009 session is unsuccessful. Maintaining a 7% IRR assumption is contingent in part on the continued diversification of the TMRS portfolio, from an almost exclusive bond portfolio to a portfolio that includes equities as well. If state legislation needed to facilitate the continued diversification is not enacted, TMRS may have to revisit the continued diversification of the portfolio and consider reducing the assumed IRR. A reduction in the IRR would result in increased actuarial accrued liabilities, thus causing further increases in City contribution rates, following the December 31, 2009 actuarial valuation.

The City is one of 827 municipalities having the benefit plan administered by TMRS. Each of the 827 municipalities has an annual, individual actuarial valuation performed. All assumptions for the December 31, 2007, valuations are contained in the 2007 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing to P. O. Box 149153, Austin, Texas 78714-9153.



## **GENERAL FUND**

# CITY OF SAN MARCOS, TEXAS

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL

### GENERAL FUND

**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)	2007 Actual
	Original	Final	Amounts		
REVENUES					
Taxes					
Property taxes:					
Current ad valorem taxes	\$ 4,255,828	\$ 4,255,828	\$ 4,290,757	\$ 34,929	\$ 3,527,636
Delinquent ad valorem taxes	56,322	56,322	49,970	( 6,352)	86,903
Penalty and interest on delinquent taxes	30,327	30,327	42,604	12,277	44,971
Franchise	6,292,377	6,292,377	7,463,804	1,171,427	6,927,867
Sales	15,717,711	15,833,140	18,347,135	2,513,995	17,405,977
Mixed drink	199,574	199,574	232,007	32,433	211,795
Total taxes	26,552,139	26,667,568	30,426,277	3,758,709	28,205,149
Licenses and permits					
Professional and occupational	42,162	42,162	52,257	10,095	50,290
Building	353,163	353,163	302,088	( 51,075)	160,701
Development	55,422	55,422	51,505	( 3,917)	86,782
Plumbing	28,287	28,287	34,091	5,804	28,128
Food	117,633	117,633	121,386	3,753	130,140
Other	257,528	257,528	252,649	( 4,879)	232,902
Total licenses and permits	854,195	854,195	813,976	( 40,219)	688,943
Fines and penalties					
Parking meter	70,815	70,815	95,276	24,461	89,147
Traffic	364,206	364,206	430,824	66,618	391,760
Complaints	381,833	381,833	405,367	23,534	381,942
Library	59,006	59,006	61,659	2,653	65,279
Other	481,214	481,214	416,217	( 64,997)	468,902
Total fines and penalties	1,357,074	1,357,074	1,409,343	52,269	1,397,030
Charges for services					
Vital statistics	50,630	50,630	61,493	10,863	63,836
Pound charges	18,284	18,284	29,442	11,158	21,541
Charges to other funds	4,177,111	4,177,111	4,189,619	12,508	3,933,059
Building rental	106,539	106,539	129,954	23,415	108,777
Recreation program	386,942	386,942	434,297	47,355	401,566
Other services	71,240	71,240	97,165	25,925	144,851
Total charges for services	4,810,746	4,810,746	4,941,970	131,224	4,673,630

(continued)

# CITY OF SAN MARCOS, TEXAS

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL

### GENERAL FUND (Continued) FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)	2007 Actual
	Original	Final	Amounts		
<b>REVENUES (Continued)</b>					
Intergovernmental	\$ 148,737	\$ 148,737	\$ 174,330	\$ 25,593	\$ 170,114
Investment earnings	500,000	500,000	409,357	( 90,643)	683,500
Other					
Donations	54,867	54,867	72,432	17,565	60,360
Miscellaneous	270,015	270,015	489,770	219,755	87,769
Total other	324,882	324,882	562,202	237,320	148,129
Total revenues	34,547,773	34,663,202	38,737,455	4,074,253	35,966,495
<b>EXPENDITURES</b>					
Current:					
General government					
Personnel services	1,685,767	1,732,420	1,726,795	5,625	1,356,361
Contracted services	286,030	144,626	108,664	35,962	210,432
Materials and supplies	184,963	119,341	100,018	19,323	77,986
Other charges	249,610	176,922	262,491	( 85,569)	157,504
Total general government	2,406,370	2,173,309	2,197,968	( 24,659)	1,802,283
Personnel:					
Personnel services	643,816	671,680	666,881	4,799	641,483
Contracted services	92,402	108,898	103,196	5,702	95,722
Materials and supplies	20,100	20,567	19,218	1,349	19,011
Other charges	19,950	19,950	17,967	1,983	15,857
Total personnel	776,268	821,095	807,262	13,833	772,073
Finance:					
Personnel services	1,499,866	1,589,856	1,587,242	2,614	1,409,542
Contracted services	210,304	185,171	170,880	14,291	196,141
Materials and supplies	67,063	65,136	55,600	9,536	40,311
Other charges	43,665	41,165	32,271	8,894	27,357
Total finance	1,820,898	1,881,328	1,845,993	35,335	1,673,351

(continued)

# CITY OF SAN MARCOS, TEXAS

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL

### GENERAL FUND (Continued) FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)	2007 Actual
	Original	Final	Amounts		
<b>EXPENDITURES (Continued)</b>					
Planning:					
Personnel services	\$ 1,218,204	\$ 985,275	\$ 979,299	\$ 5,976	\$ 925,592
Contracted services	64,180	49,328	44,584	4,744	63,333
Materials and supplies	45,049	46,987	37,899	9,088	33,301
Other charges	29,142	29,142	22,283	6,859	22,263
Total planning	1,356,575	1,110,732	1,084,065	26,667	1,044,489
Engineering:					
Personnel services	967,903	779,185	774,010	5,175	792,554
Contracted services	142,247	140,229	130,657	9,572	80,720
Materials and supplies	36,245	53,190	59,457	( 6,267)	39,544
Other charges	17,624	13,197	11,440	1,757	9,417
Total engineering	1,164,019	985,801	975,564	10,237	922,235
Public works:					
Personnel services	1,680,565	1,737,693	1,710,196	27,497	1,629,996
Contracted services	97,721	88,246	63,004	25,242	69,121
Materials and supplies	520,378	531,904	517,614	14,290	487,215
Other charges	22,100	20,800	16,756	4,044	14,866
Total public works	2,320,764	2,378,643	2,307,570	71,073	2,201,198
General services:					
Personnel services	1,333,355	1,020,491	1,011,152	9,339	712,608
Contracted services	1,730,369	1,862,707	1,813,623	49,084	1,555,903
Materials and supplies	56,507	49,749	36,344	13,405	45,254
Other charges	2,256,835	2,426,240	2,308,036	118,204	2,073,453
Total general services	5,377,066	5,359,187	5,169,155	190,032	4,387,218
Total general government	15,221,960	14,710,095	14,387,576	322,518	12,802,847
Public safety:					
Fire:					
Personnel services	3,874,894	3,891,859	3,889,432	2,427	3,473,477
Contracted services	59,896	44,896	44,386	510	51,589
Materials and supplies	197,179	228,760	224,262	4,498	209,325
Other charges	37,100	32,100	61,525	( 29,425)	33,779
Total fire	4,169,069	4,197,615	4,219,605	( 21,990)	3,768,170

(continued)

# CITY OF SAN MARCOS, TEXAS

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL

### GENERAL FUND (Continued) FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)	2007 Actual
	Original	Final	Amounts		
<b>EXPENDITURES (Continued)</b>					
Public safety (Continued)					
Police:					
Personnel services	\$ 9,619,456	\$ 10,056,555	\$ 10,043,375	\$ 13,180	\$ 8,566,944
Contracted services	434,060	390,590	459,632	( 69,042)	264,191
Materials and supplies	650,716	746,249	729,909	16,340	541,515
Other charges	78,778	85,639	84,515	1,124	57,632
Total police	10,783,010	11,279,033	11,317,431	( 38,398)	9,430,282
 Total public safety	14,952,079	15,476,648	15,537,036	( 60,388)	13,198,452
Community service					
Personnel services	3,356,542	3,495,389	3,478,515	16,874	3,439,948
Contracted services	902,818	846,919	830,435	16,484	872,856
Materials and supplies	512,437	564,393	595,620	( 31,227)	568,946
Other charges	108,245	81,392	76,301	5,091	89,608
Total community service	4,880,042	4,988,093	4,980,871	7,222	4,971,358
Debt service:					
Principal	59,850	60,334	54,496	5,838	71,487
Interest and other charges	-	-	5,385	( 5,385)	-
Total debt service	59,850	60,334	59,881	453	71,487
Capital outlay					
Engineering	40,000	98,083	90,150	7,933	-
Public works	-	171,814	169,079	2,735	11,459
Community services	141,330	360,045	301,515	58,530	110,981
Public safety	168,500	476,791	320,755	156,036	-
Personnel	-	-	-	-	-
Total capital outlay	349,830	1,106,733	881,499	225,234	122,440
Total expenditures	35,463,761	36,341,903	35,846,863	495,040	31,166,584
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	( 915,988)	( 1,678,701)	2,890,592	4,569,293	4,799,911
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	24,299	24,299	121,798	97,499	35,000
Transfers out	( 3,715,406)	( 4,132,970)	( 4,132,970)	-	( 4,265,825)
Total other financing sources and uses	( 3,691,107)	( 4,108,671)	( 4,011,172)	97,499	( 4,230,825)
<b>NET CHANGE IN FUND BALANCE</b>	( 4,607,095)	( 5,787,372)	( 1,120,580)	4,666,792	569,086
<b>FUND BALANCE, BEGINNING</b>	14,727,175	14,727,175	14,727,175	-	14,165,505
<b>FUND BALANCE, ENDING</b>	\$ 10,120,080	\$ 8,939,803	\$ 13,606,595	\$ 4,666,792	\$ 14,734,591

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**COMBINING AND INDIVIDUAL  
FUND STATEMENTS AND SCHEDULES**

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## **NONMAJOR SPECIAL REVENUE FUNDS**

*Special Revenue Funds* are used to account for the proceeds of specific revenue sources (other than expendable trusts, special assessments, or major capital projects) that are legally restricted to expenditures for specific purposes.

*Grants and Special Entitlements*

*Community Development Block Grant*

*Karnack*

*Police Grant*

*WIC Project*

*Miscellaneous Grants*

*Municipal Court Technology*

*Seized Assets*

*Library Memorial*

*Cemetery*

*Municipal Court Security Fee*

*Parks and Recreation*

## **NONMAJOR PERMANENT FUNDS**

*Permanent Funds* are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the City's programs.

**CITY OF SAN MARCOS, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2008**

	Special Revenue		
	Grant and Special Entitlements	Community Development Block Grant	Karnack
<b>ASSETS</b>			
Cash and cash equivalents	\$ 264,525	\$ 10,168	\$ 5,137
Receivables (net of allowances for uncollectibles):			
Loans	77,087	-	-
Other	-	-	3
Due from other governments	156,365	36,298	-
Due from other funds	-	-	-
Prepaid items	-	1,632	-
	<u>-</u>	<u>1,632</u>	<u>-</u>
Total assets	\$ <u>497,977</u>	\$ <u>48,098</u>	\$ <u>5,140</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable and accrued liabilities	\$ -	\$ 22,800	\$ -
Due to other funds	-	11,679	-
Deferred revenue	376,741	13,619	-
Total liabilities	<u>376,741</u>	<u>48,098</u>	<u>-</u>
Fund balances:			
Reserved for:			
Cemetery memorial	-	-	-
Unreserved	121,236	-	5,140
Total fund balances	<u>121,236</u>	<u>-</u>	<u>5,140</u>
Total liabilities and fund balances	\$ <u>497,977</u>	\$ <u>48,098</u>	\$ <u>5,140</u>

Special Revenue							
<u>Police Grant</u>	<u>WIC Project</u>	<u>Emergency Relief</u>	<u>Miscellaneous Grants</u>	<u>Municipal Court Technology</u>	<u>Seized Assets</u>	<u>Library Memorial</u>	<u>Cemetery</u>
\$ 23,931	\$ -	\$ -	\$ -	\$ 191,324	\$ 113,751	\$ 31,144	\$ 5,167
-	-	-	-	-	-	-	-
-	-	-	-	128	6,942	21	22
55,408	293,098	46,347	1,580,405	-	-	-	-
-	-	-	6,250	-	-	-	31,050
-	12,356	-	-	1,500	-	-	-
<u>\$ 79,339</u>	<u>\$ 305,454</u>	<u>\$ 46,347</u>	<u>\$ 1,586,655</u>	<u>\$ 192,952</u>	<u>\$ 120,693</u>	<u>\$ 31,165</u>	<u>\$ 36,239</u>
\$ 4,820	\$ 38,400	\$ 36,746	\$ 6,946	\$ -	\$ 3,935	\$ -	\$ 10,881
70,772	267,054	9,601	1,502,149	-	-	-	15,645
1,858	-	-	6,332	-	-	2,400	2,209
<u>77,450</u>	<u>305,454</u>	<u>46,347</u>	<u>1,515,427</u>	<u>-</u>	<u>3,935</u>	<u>2,400</u>	<u>28,735</u>
-	-	-	-	-	-	-	-
1,889	-	-	71,228	192,952	116,758	28,765	7,504
<u>1,889</u>	<u>-</u>	<u>-</u>	<u>71,228</u>	<u>192,952</u>	<u>116,758</u>	<u>28,765</u>	<u>7,504</u>
<u>\$ 79,339</u>	<u>\$ 305,454</u>	<u>\$ 46,347</u>	<u>\$ 1,586,655</u>	<u>\$ 192,952</u>	<u>\$ 120,693</u>	<u>\$ 31,165</u>	<u>\$ 36,239</u>

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# CITY OF SAN MARCOS, TEXAS

## COMBINING BALANCE SHEET

### NONMAJOR GOVERNMENTAL FUNDS

(Continued)

SEPTEMBER 30, 2008

	<u>Special Revenue</u>		<u>Permanent</u>	
	<u>Municipal</u>	<u>Parks and</u>	<u>Cemetery</u>	
	<u>Court</u>	<u>Recreation</u>	<u>Perpetual</u>	<u>Totals</u>
	<u>Security Fee</u>	<u>Recreation</u>	<u>Perpetual</u>	<u>Totals</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 36,410	\$ 1,698	\$ 934,910	\$ 1,618,165
Receivables (net of allowances for uncollectibles):				
Loans	-	-	-	77,087
Other	24	-	621	7,761
Due from other governments	-	-	-	2,167,921
Due from other funds	-	-	-	37,300
Prepaid items	-	-	-	15,488
	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,488</u>
Total assets	\$ <u>36,434</u>	\$ <u>1,698</u>	\$ <u>935,531</u>	\$ <u>3,923,722</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 13,334	\$ -	\$ -	\$ 137,862
Due to other funds	-	-	-	1,876,900
Deferred revenue	-	-	-	403,159
Total liabilities	<u>13,334</u>	<u>-</u>	<u>-</u>	<u>2,417,921</u>
Fund balances:				
Reserved for:				
Cemetery memorial	-	-	935,531	935,531
Unreserved	<u>23,100</u>	<u>1,698</u>	<u>-</u>	<u>570,270</u>
Total fund balances	<u>23,100</u>	<u>1,698</u>	<u>935,531</u>	<u>1,505,801</u>
Total liabilities and fund balances	\$ <u>36,434</u>	\$ <u>1,698</u>	\$ <u>935,531</u>	\$ <u>3,923,722</u>

**CITY OF SAN MARCOS, TEXAS**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES**

**NONMAJOR GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Special Revenue		
	Grant and Special Entitlements	Community Development Block Grant	Karnack
<b>REVENUES</b>			
Fines and penalties	\$ -	\$ -	\$ -
Intergovernmental	493,954	673,244	-
Interest on investments	-	-	49
Other	-	-	-
Total revenues	<u>493,954</u>	<u>673,244</u>	<u>49</u>
<b>EXPENDITURES</b>			
Current:			
General government	-	-	-
Public safety	-	-	-
Community service	493,954	673,244	-
Capital outlay	-	-	-
Total expenditures	<u>493,954</u>	<u>673,244</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>49</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>-</u>	<u>-</u>	<u>49</u>
<b>FUND BALANCES, BEGINNING</b>	<u>121,236</u>	<u>-</u>	<u>5,091</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 121,236</u>	<u>\$ -</u>	<u>\$ 5,140</u>

Special Revenue							
<u>Police Grant</u>	<u>WIC Project</u>	<u>Emergency Relief</u>	<u>Miscellaneous Grants</u>	<u>Municipal Court Technology</u>	<u>Seized Assets</u>	<u>Library Memorial</u>	<u>Cemetery</u>
\$ -	\$ -	\$ -	\$ -	\$ 30,939	\$ 43,193	\$ -	\$ -
235,664	1,424,655	46,347	1,077,501	-	-	-	-
-	-	-	-	1,847	1,094	294	30
-	-	-	-	-	-	1,255	20,412
<u>235,664</u>	<u>1,424,655</u>	<u>46,347</u>	<u>1,077,501</u>	<u>32,786</u>	<u>44,287</u>	<u>1,549</u>	<u>20,442</u>
-	-	-	1,129,980	23,572	-	-	120,783
250,120	-	46,347	-	-	-	-	-
-	1,424,655	-	-	-	-	-	-
-	-	-	-	-	1,500	-	-
<u>250,120</u>	<u>1,424,655</u>	<u>46,347</u>	<u>1,129,980</u>	<u>23,572</u>	<u>1,500</u>	<u>-</u>	<u>120,783</u>
( 14,456)	-	-	( 52,479)	9,214	42,787	1,549	( 100,341)
-	-	-	3,408	-	-	-	139,136
-	-	-	-	-	-	-	( 31,291)
-	-	-	3,408	-	-	-	107,845
( 14,456)	-	-	( 49,071)	9,214	42,787	1,549	7,504
16,345	-	-	120,299	183,738	73,971	27,216	-
<u>\$ 1,889</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 71,228</u>	<u>\$ 192,952</u>	<u>\$ 116,758</u>	<u>\$ 28,765</u>	<u>\$ 7,504</u>

(continued)

# CITY OF SAN MARCOS, TEXAS

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

### NONMAJOR GOVERNMENTAL FUNDS (Continued) FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Special Revenue</u>		<u>Permanent</u>	
	<u>Municipal Court Security Fee</u>	<u>Parks and Recreation</u>	<u>Cemetery Perpetual</u>	<u>Totals</u>
<b>REVENUES</b>				
Fines and penalties	\$ 20,954	\$ -	\$ -	\$ 95,086
Intergovernmental	-	-	-	3,951,365
Interest on investments	274	-	18,045	21,633
Other	-	1,091	21,980	44,738
Total revenues	<u>21,228</u>	<u>1,091</u>	<u>40,025</u>	<u>4,112,822</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,270	-	-	1,275,605
Public safety	-	-	-	296,467
Community service	-	-	-	2,591,853
Capital outlay	17,897	-	-	19,397
Total expenditures	<u>19,167</u>	<u>-</u>	<u>-</u>	<u>4,183,322</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>2,061</u>	<u>1,091</u>	<u>40,025</u>	<u>( 70,500)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	142,544
Transfers out	-	-	( 27,500)	( 58,791)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>( 27,500)</u>	<u>83,753</u>
<b>NET CHANGE IN FUND BALANCES</b>	2,061	1,091	12,525	13,253
<b>FUND BALANCES, BEGINNING</b>	<u>21,039</u>	<u>607</u>	<u>923,006</u>	<u>1,492,548</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 23,100</u>	<u>\$ 1,698</u>	<u>\$ 935,531</u>	<u>\$ 1,505,801</u>



# CITY OF SAN MARCOS, TEXAS

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL

### COMMUNITY DEVELOPMENT BLOCK GRANT

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
<b>REVENUES</b>				
Intergovernmental	\$ 926,009	\$ 1,209,470	\$ 673,244	\$ ( 536,226)
Total revenues	<u>926,009</u>	<u>1,209,470</u>	<u>673,244</u>	<u>( 536,226)</u>
<b>EXPENDITURES</b>				
Current:				
Community service	<u>926,009</u>	<u>1,209,470</u>	<u>673,244</u>	<u>536,226</u>
Total expenditures	<u>926,009</u>	<u>1,209,470</u>	<u>673,244</u>	<u>536,226</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	-	-
<b>FUND BALANCE, BEGINNING</b>	-	-	-	-
<b>FUND BALANCE, ENDING</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF SAN MARCOS, TEXAS**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE-BUDGET AND ACTUAL**

**POLICE GRANT**

**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b>REVENUES</b>				
Intergovernmental	\$ 205,019	\$ 238,347	\$ 235,664	\$( 2,683)
Total revenues	<u>205,019</u>	<u>238,347</u>	<u>235,664</u>	<u>( 2,683)</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	<u>161,892</u>	<u>201,490</u>	<u>250,120</u>	<u>( 48,630)</u>
Total expenditures	<u>161,892</u>	<u>201,490</u>	<u>250,120</u>	<u>( 48,630)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>43,127</u>	<u>36,857</u>	<u>( 14,456)</u>	<u>( 51,313)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>( 10,000)</u>
Total other financing sources and uses	<u>-</u>	<u>10,000</u>	<u>-</u>	
<b>NET CHANGE IN FUND BALANCE</b>	43,127	36,857	( 14,456)	( 51,313)
<b>FUND BALANCE, BEGINNING</b>	<u>16,345</u>	<u>16,345</u>	<u>16,345</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 59,472</u>	<u>\$ 53,202</u>	<u>\$ 1,889</u>	<u>\$( 51,313)</u>

# CITY OF SAN MARCOS, TEXAS

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL

### WIC PROJECT

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
<b>REVENUES</b>				
Intergovernmental	\$ 1,561,903	\$ 1,561,903	\$ 1,424,655	\$ ( 137,248)
Total revenues	<u>1,561,903</u>	<u>1,561,903</u>	<u>1,424,655</u>	<u>( 137,248)</u>
<b>EXPENDITURES</b>				
Current:				
Highways and roads	977,214	1,016,174	1,424,655	( 408,481)
Capital outlay	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>997,214</u>	<u>1,016,174</u>	<u>1,424,655</u>	<u>( 408,481)</u>
<b>NET CHANGE IN FUND BALANCE</b>	564,689	545,729	-	( 545,729)
<b>FUND BALANCE, BEGINNING</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 564,689</u>	<u>\$ 545,729</u>	<u>\$ -</u>	<u>\$ ( 545,729)</u>

# CITY OF SAN MARCOS, TEXAS

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL

### MISCELLANEOUS GRANTS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
<b>REVENUES</b>				
Intergovernmental	\$ 8,177,587	\$ 8,177,587	\$ 1,077,501	\$( 7,100,086)
Total revenues	<u>8,177,587</u>	<u>8,177,587</u>	<u>1,077,501</u>	<u>( 7,100,086)</u>
<b>EXPENDITURES</b>				
Current:				
General government	<u>8,224,183</u>	<u>8,227,591</u>	<u>1,129,980</u>	<u>7,097,611</u>
Total expenditures	<u>8,224,183</u>	<u>8,227,591</u>	<u>1,129,980</u>	<u>7,097,611</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>( 46,596)</u>	<u>( 50,004)</u>	<u>( 52,479)</u>	<u>( 2,475)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>-</u>	<u>3,408</u>	<u>3,408</u>	<u>-</u>
Total other financing sources and uses	<u>-</u>	<u>3,408</u>	<u>3,408</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>( 46,596)</u>	<u>( 46,596)</u>	<u>( 49,071)</u>	<u>( 2,475)</u>
<b>FUND BALANCE, BEGINNING</b>	<u>120,299</u>	<u>120,299</u>	<u>120,299</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 73,703</u>	<u>\$ 73,703</u>	<u>\$ 71,228</u>	<u>\$( 2,475)</u>

# CITY OF SAN MARCOS, TEXAS

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL

### MUNICIPAL COURT TECHNOLOGY

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
<b>REVENUES</b>				
Fees and fines	\$ 35,292	\$ 35,292	\$ 30,939	\$( 4,353)
Investment earnings	500	500	1,847	1,347
Total revenues	<u>35,792</u>	<u>35,792</u>	<u>32,786</u>	<u>( 3,006)</u>
<b>EXPENDITURES</b>				
Current:				
General government	<u>50,000</u>	<u>50,000</u>	<u>23,572</u>	<u>26,428</u>
Total expenditures	<u>50,000</u>	<u>50,000</u>	<u>23,572</u>	<u>26,428</u>
<b>NET CHANGE IN FUND BALANCE</b>	( 14,208)	( 14,208)	9,214	23,422
<b>FUND BALANCE, BEGINNING</b>	<u>183,738</u>	<u>183,738</u>	<u>183,738</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 169,530</u>	<u>\$ 169,530</u>	<u>\$ 192,952</u>	<u>\$ 23,422</u>

# CITY OF SAN MARCOS, TEXAS

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL

### DEBT SERVICE

**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b>REVENUES</b>				
Taxes	\$ 7,118,567	\$ 7,118,567	\$ 7,178,305	\$ 59,738
Interest on investments	125,000	125,000	594,319	469,319
Miscellaneous	-	-	-	-
Total revenues	<u>7,243,567</u>	<u>7,243,567</u>	<u>7,772,624</u>	<u>529,057</u>
<b>EXPENDITURES</b>				
Current:				
Principal	4,824,585	4,742,613	4,695,000	47,613
Interest and fiscal charges	<u>2,292,734</u>	<u>2,374,706</u>	<u>4,039,046</u>	<u>( 1,664,340)</u>
Total expenditures	<u>7,117,319</u>	<u>7,117,319</u>	<u>8,734,046</u>	<u>( 1,616,727)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from capital leases	-	-	5,691,373	5,691,373
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>5,691,373</u>	<u>5,691,373</u>
<b>NET CHANGE IN FUND BALANCE</b>	126,248	126,248	( 961,422)	( 1,087,670)
<b>FUND BALANCE, BEGINNING</b>	<u>5,764,165</u>	<u>5,764,165</u>	<u>5,764,165</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 5,890,413</u>	<u>\$ 5,890,413</u>	<u>\$ 4,802,743</u>	<u>\$( 1,087,670)</u>

### **NONMAJOR ENTERPRISE FUNDS**

***Enterprise Funds*** are used to account for the acquisition, operations and maintenance of a City's facilities and services which are entirely or predominantly supported by user charges or those for which the City has decided that periodic determination of the revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. All activities necessary to provide services are accounted for in these funds, including, but not limited to, administration, operations and maintenance. Debt service is also included.

***Airport Fund*** – This fund was established to account for all revenue and expenses of every nature derived by the City from its ownership and operation of the airport.

***Stormwater Drainage Fund*** – This fund was created to address the need for improvements in drainage channels throughout the City. The fund obtains revenue through the assessment of a monthly drainage utility fee to both residential and commercial customers.

***Collection Fund*** – This fund was created to account for waste collection and disposal services provided to residents of the City.

**CITY OF SAN MARCOS, TEXAS**  
**COMBINING STATEMENT OF NET ASSETS**  
**NONMAJOR ENTERPRISE FUNDS**  
**SEPTEMBER 30, 2008**

	Enterprise			
	Airport	Stormwater Drainage	Waste Collection	Total
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 479,750	\$ 4,741,880	\$ 401,354	\$ 5,622,984
Investments	-	7,519,764	-	7,519,764
Accounts receivable, net	37,121	160,209	185,826	383,156
Due from other funds	-	24,626	-	24,626
Prepaid items	-	948	-	948
Total current assets	<u>516,871</u>	<u>12,447,427</u>	<u>587,180</u>	<u>13,551,478</u>
Non-current assets:				
Deferred charges	-	225,863	-	225,863
Capital assets:				
Land and improvements	100,337	-	-	100,337
Buildings	4,339,745	-	-	4,339,745
Improvements other than buildings	7,898,670	3,033,500	-	10,932,170
Furnishing and equipment	21,137	371,034	-	392,171
Construction in progress	615,521	2,815,502	-	3,431,023
Less: accumulated depreciation	( 7,586,301)	( 503,154)	-	( 8,089,455)
Total capital assets, net of accumulated depreciation	<u>5,389,109</u>	<u>5,716,882</u>	<u>-</u>	<u>11,105,991</u>
Total non-current assets	<u>5,389,109</u>	<u>5,942,745</u>	<u>-</u>	<u>11,331,854</u>
Total assets	<u>5,905,980</u>	<u>18,390,172</u>	<u>587,180</u>	<u>24,883,332</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and accrued liabilities	11,893	475,273	161,788	648,954
Accrued interest payable	-	161,476	-	161,476
Due to other funds	41	54,321	-	54,362
Deferred revenue	5,134	-	-	5,134
Customer deposits	-	504	92,687	93,191
Current maturities of long-term debt	-	743,475	-	743,475
Total current liabilities	<u>17,068</u>	<u>1,435,049</u>	<u>254,475</u>	<u>1,706,592</u>
Non-current liabilities:				
Long-term debt	-	11,571,525	-	11,571,525
Total non-current liabilities	<u>-</u>	<u>11,571,525</u>	<u>-</u>	<u>11,571,525</u>
Total liabilities	<u>17,068</u>	<u>13,006,574</u>	<u>254,475</u>	<u>13,278,117</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	5,389,109	1,658,038	-	7,047,147
Unrestricted	<u>499,803</u>	<u>3,725,560</u>	<u>332,705</u>	<u>4,558,068</u>
Total net assets	<u>\$ 5,888,912</u>	<u>\$ 5,383,598</u>	<u>\$ 332,705</u>	<u>\$ 11,605,215</u>



# CITY OF SAN MARCOS, TEXAS

## COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

### NONMAJOR ENTERPRISE FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Airport</u>	<u>Stormwater Drainage</u>	<u>Waste Collection</u>	<u>Total</u>
<b>OPERATING REVENUES</b>				
Charges for services	\$ 203,780	\$ 1,379,198	\$ 1,307,481	\$ 2,890,459
Total operating revenues	<u>203,780</u>	<u>1,379,198</u>	<u>1,307,481</u>	<u>2,890,459</u>
<b>OPERATING EXPENSES</b>				
Personal services	104,633	97,588	-	202,221
Contractual services	35,545	428,819	1,253,408	1,717,772
Materials and supplies	18,932	24,345	-	43,277
Indirect costs	83,442	-	-	83,442
Other charges	5,994	10,143	24,244	40,381
Depreciation	<u>519,873</u>	<u>250,162</u>	<u>-</u>	<u>770,035</u>
Total operating expenses	<u>768,419</u>	<u>811,057</u>	<u>1,277,652</u>	<u>2,857,128</u>
<b>OPERATING INCOME (LOSS)</b>	( 564,639)	<u>568,141</u>	<u>29,829</u>	<u>33,331</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest on investments	-	336,655	417	337,072
Interest and fiscal charges	<u>-</u>	( 426,092)	<u>-</u>	( 426,092)
Total non-operating revenue (expenses)	<u>-</u>	<u>( 89,437)</u>	<u>417</u>	<u>( 89,020)</u>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	( 564,639)	478,704	30,246	( 55,689)
Transfers in	<u>149,112</u>	<u>-</u>	<u>-</u>	<u>149,112</u>
<b>CHANGE IN NET ASSETS</b>	( 415,527)	478,704	30,246	93,423
<b>TOTAL NET ASSETS, BEGINNING</b>	<u>6,304,439</u>	<u>4,904,894</u>	<u>302,459</u>	<u>11,511,792</u>
<b>TOTAL NET ASSETS, ENDING</b>	<u>\$ 5,888,912</u>	<u>\$ 5,383,598</u>	<u>\$ 332,705</u>	<u>\$ 11,605,215</u>

**CITY OF SAN MARCOS, TEXAS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Airport	Stormwater Drainage	Waste Collection	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 211,570	\$ 1,379,027	\$ 1,320,939	\$ 2,911,536
Cash paid to suppliers for goods and services	( 180,312)	( 88,609)	( 1,252,080)	( 1,521,001)
Cash paid to employees for services	( 101,512)	( 95,517)	-	( 197,029)
Net cash provided (used) by operating activities	( 70,254)	1,194,901	68,859	1,193,506
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers from other funds	149,112	-	-	149,112
Net cash provided by noncapital financing activities	149,112	-	-	149,112
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Proceeds from capital debt	-	4,605,000	-	4,605,000
Principal paid on debt	-	( 315,000)	-	( 315,000)
Interest and fiscal charges paid on debt	-	( 406,635)	-	( 406,635)
Acquisition of capital assets	( 276,684)	( 1,872,320)	-	( 2,149,004)
Net cash provided (used) by capital and related financing activities	( 276,684)	2,011,045	-	1,734,361
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of investments	-	( 5,827,234)	-	( 5,827,234)
Interest received	-	336,655	417	337,072
Net cash provided (used) by investing activities	-	( 5,490,579)	417	( 5,490,162)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	( 197,826)	( 2,284,633)	69,276	( 2,413,183)
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	677,576	7,026,513	332,078	8,036,167
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	\$ 479,750	\$ 4,741,880	\$ 401,354	\$ 5,622,984
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$( 564,639)	\$ 568,141	\$ 29,829	\$ 33,331
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:				
Depreciation	519,873	250,162	-	770,035
Changes in assets and liabilities:				
Decrease (increase) in assets:				
Accounts receivable	7,790	( 171)	13,458	21,077
Due from other funds	59,099	( 24,610)	-	34,489
Other assets	12	-	-	12
Prepaid items	-	( 948)	-	( 948)
Increase (decrease) in liabilities:				
Accounts payable	( 15,258)	365,468	( 67,115)	283,095
Due to other funds	( 76,176)	36,355	-	( 39,821)
Customer deposits	-	504	92,687	93,191
Deferred revenue	( 955)	-	-	( 955)
Net cash provided (used) by operating activities	\$( 70,254)	\$ 1,194,901	\$ 68,859	\$ 1,193,506

## **STATISTICAL SECTION**

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# STATISTICAL SECTION

## (Unaudited)

This part of City of San Marcos, Texas' comprehensive annual financial report presents multiple years of data to provide a historical perspective for understanding the information available in the financial statements, note disclosures, and required supplementary information and for assessing the City's overall financial health.

<b>Contents</b>	<b>Page</b>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	70
Revenue Capacity These schedules contain trend information to help the reader assess the City's most significant local revenue resources. Although Electric charges are the City's most significant local revenue source, information about revenue payers is confidential under Texas statutes. Trend information about electric charges is provided in Table 2. Additionally, information about property tax revenue is provided.	76
Debt Capacity These schedules contain trend information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	84
Economic and Demographic Indicators These schedules contain economic and demographic information to help the reader understand the environment within which the City's financial activities take place.	90
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services and activities performed by the City.	92
Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.	

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TABLE 1

## CITY OF SAN MARCOS, TEXAS

## NET ASSETS BY COMPONENT

## LAST SIX FISCAL YEARS

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Governmental activities:						
Invested in capital assets, net of related debt	\$ 21,341,418	\$ 39,032,075	\$ 44,394,312	\$ 50,982,992	\$ 34,026,741	\$ 52,331,211
Restricted	67,878	2,607,077	3,295,738	4,096,953	7,178,953	13,656,718
Unrestricted	<u>21,478,209</u>	<u>8,966,444</u>	<u>10,150,795</u>	<u>14,345,393</u>	<u>38,892,946</u>	<u>21,549,724</u>
Total governmental activities net assets	<u>\$ 42,887,505</u>	<u>\$ 50,605,596</u>	<u>\$ 57,840,845</u>	<u>\$ 69,425,338</u>	<u>\$ 80,098,640</u>	<u>\$ 87,537,653</u>
Business-type activities:						
Invested in capital assets, net of related debt	\$ 34,186,912	\$ 53,318,804	\$ 27,837,167	\$ 31,937,728	\$ 37,167,271	\$ 63,950,063
Restricted	-	-	1,776,852	-	-	-
Unrestricted	<u>40,873,120</u>	<u>23,106,838</u>	<u>57,935,375</u>	<u>65,067,633</u>	<u>71,918,198</u>	<u>55,197,775</u>
Total business-type activities net assets	<u>\$ 75,060,032</u>	<u>\$ 76,425,642</u>	<u>\$ 87,549,394</u>	<u>\$ 97,005,361</u>	<u>\$ 109,085,469</u>	<u>\$ 119,147,838</u>
Primary government:						
Invested in capital assets, net of related debt	\$ 55,528,330	\$ 92,350,879	\$ 72,231,479	\$ 82,920,720	\$ 71,194,012	\$ 116,281,274
Restricted	67,878	2,607,077	5,072,590	4,096,953	7,178,953	13,656,718
Unrestricted	<u>62,351,329</u>	<u>32,073,282</u>	<u>68,086,170</u>	<u>79,413,026</u>	<u>110,811,144</u>	<u>76,747,499</u>
Total primary government net assets	<u>\$ 117,947,537</u>	<u>\$ 127,031,238</u>	<u>\$ 145,390,239</u>	<u>\$ 166,430,699</u>	<u>\$ 189,184,109</u>	<u>\$ 206,685,491</u>

Note:

The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

TABLE 2

**CITY OF SAN MARCOS, TEXAS  
CHANGES IN NET ASSETS  
LAST SIX FISCAL YEARS**

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
<b>EXPENSES</b>						
Governmental activities:						
General government	\$ 8,215,084	\$ 7,827,799	\$ 11,113,362	\$ 9,416,555	\$ 13,769,853	\$ 12,565,540
Public safety	12,625,294	12,022,559	11,873,017	12,896,427	13,537,545	16,406,242
Community service	7,220,743	7,339,792	7,448,224	8,032,845	9,077,477	9,114,632
Interest and fiscal charges	1,925,069	1,678,563	1,816,987	1,887,770	2,769,146	4,784,896
Total governmental activities expenses	<u>29,986,190</u>	<u>28,868,713</u>	<u>32,251,590</u>	<u>32,233,597</u>	<u>39,154,021</u>	<u>42,871,310</u>
Business-type activities:						
Water/wastewater	16,658,251	16,185,156	17,239,651	19,702,909	21,657,804	23,872,986
Electric	29,859,093	32,609,906	36,201,717	44,786,544	40,539,638	49,224,186
Airport	699,442	687,208	689,330	689,406	739,316	768,419
Drainage	267,423	556,759	615,424	374,013	577,461	811,057
Waste collection	-	996,341	1,049,390	1,410,264	1,503,213	1,703,744
Total business-type activities expenses	<u>47,484,209</u>	<u>51,035,370</u>	<u>55,795,512</u>	<u>66,963,136</u>	<u>65,017,432</u>	<u>76,380,392</u>
Total primary government program expenses	<u>\$ 77,470,399</u>	<u>\$ 79,904,083</u>	<u>\$ 88,047,102</u>	<u>\$ 99,196,733</u>	<u>\$ 104,171,453</u>	<u>\$ 119,251,702</u>
<b>PROGRAM REVENUES</b>						
Governmental activities:						
Charges for services:						
General government	\$ 1,949,619	\$ 1,194,224	\$ 1,191,152	\$ 1,299,438	\$ 901,028	\$ 1,252,334
Public safety	1,199,839	1,110,509	1,295,340	1,339,698	1,401,176	1,455,835
Community service	559,929	646,099	787,342	721,441	575,622	626,210
Operating grants and contributions	1,651,018	1,338,188	2,248,473	2,149,913	6,128,665	3,452,451
Capital grants and contributions	1,484,002	1,974,736	488,227	638,048	3,921,368	836,384
Total governmental activities program revenues	<u>6,844,407</u>	<u>6,263,756</u>	<u>6,010,534</u>	<u>6,148,538</u>	<u>12,927,859</u>	<u>7,623,214</u>
Business-type activities:						
Charges for services:						
Electric	29,358,643	32,700,974	39,412,677	45,564,818	45,038,579	49,787,885
Water and wastewater	17,043,907	19,112,445	21,415,438	26,318,349	24,138,588	28,352,029
Airport	125,956	165,010	185,508	209,512	210,224	203,780
Drainage	1,067,477	1,019,030	878,012	1,068,407	1,424,761	1,379,198
Waste collection	-	959,405	1,102,707	1,180,485	1,272,014	1,307,481
Operating grants and contributions	26,990	29,731	21,496	-	-	-
Capital grants and contributions	-	312,941	551,553	1,122,112	309,307	1,649,020
Total business-type activities program revenues	<u>47,622,973</u>	<u>54,299,536</u>	<u>63,567,391</u>	<u>75,463,683</u>	<u>72,393,473</u>	<u>82,679,393</u>
Total primary government program revenues	<u>\$ 54,467,380</u>	<u>\$ 60,563,292</u>	<u>\$ 69,577,925</u>	<u>\$ 81,612,221</u>	<u>\$ 85,321,332</u>	<u>\$ 90,302,607</u>

(continued)



TABLE 2

**CITY OF SAN MARCOS, TEXAS**  
**CHANGES IN NET ASSETS**  
**(Continued)**  
**LAST SIX FISCAL YEARS**

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
<b>NET (EXPENSE) REVENUES</b>						
Governmental activities	\$( 23,141,783)	\$( 22,604,957)	\$( 26,241,056)	\$( 26,085,059)	\$( 26,226,162)	\$( 35,248,096)
Business-type activities	138,764	3,264,166	7,771,879	8,500,547	7,376,041	6,299,001
Total primary government net expense	<u>( 23,003,019)</u>	<u>( 19,340,791)</u>	<u>( 18,469,177)</u>	<u>( 17,584,512)</u>	<u>( 18,850,121)</u>	<u>( 28,949,095)</u>
<b>GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS</b>						
Governmental activities:						
Taxes						
Property	8,113,608	8,428,032	8,668,066	8,912,647	9,558,703	11,696,800
Franchise	5,955,783	5,519,858	6,242,627	6,999,442	6,927,867	7,695,811
Sales	12,423,296	13,491,105	14,062,454	16,377,390	16,018,106	18,347,135
Other	552,560	1,076,824	1,206,769	1,358,869	1,519,896	1,698,905
Investment earnings	-	474,313	828,558	1,603,021	2,745,676	2,590,329
Miscellaneous	-	81,401	1,021,738	163,646	508,716	572,276
Transfers	54,441	212,798	831,723	2,479,810	( 379,500)	85,853
Total governmental activities	<u>27,099,688</u>	<u>29,284,331</u>	<u>32,861,935</u>	<u>37,894,825</u>	<u>36,899,464</u>	<u>42,687,109</u>
Business-type activities:						
Investment earnings	757,878	609,697	1,856,552	3,182,034	4,063,644	2,801,982
Other	577,109	16,038	15,551	27,620	260,923	618,072
Transfers	( 54,441)	( 212,798)	( 831,723)	( 2,479,810)	379,500	( 85,853)
Total business-type activities	<u>1,280,546</u>	<u>412,937</u>	<u>1,040,380</u>	<u>729,844</u>	<u>4,704,067</u>	<u>3,334,201</u>
Total primary government	<u>28,380,234</u>	<u>29,697,268</u>	<u>33,902,315</u>	<u>38,624,669</u>	<u>41,603,531</u>	<u>46,021,310</u>
<b>CHANGE IN NET ASSETS</b>						
Governmental activities	3,957,905	6,679,374	6,620,879	11,809,766	10,673,302	7,439,013
Business-type activities	1,419,310	3,677,103	8,812,259	9,230,391	12,080,108	9,633,202
Total primary government	<u>\$ 5,377,215</u>	<u>\$ 10,356,477</u>	<u>\$ 15,433,138</u>	<u>\$ 21,040,157</u>	<u>\$ 22,753,410</u>	<u>\$ 17,072,215</u>

Note:

The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

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TABLE 3

## CITY OF SAN MARCOS, TEXAS

FUND BALANCES  
GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General fund										
Reserved	\$ 110,497	\$ 141,012	\$ 90,696	\$ 105,734	\$ 427,053	\$ 185,893	\$ 174,017	\$ 153,597	\$ 134,113	\$ 129,929
Unreserved	2,772,087	4,354,044	6,354,709	6,387,766	7,050,045	9,965,481	9,952,272	14,011,908	14,593,062	13,476,666
Total general fund	\$ 2,882,584	\$ 4,495,056	\$ 6,445,405	\$ 6,493,500	\$ 7,477,098	\$ 10,151,374	\$ 10,126,289	\$ 14,165,505	\$ 14,727,175	\$ 13,606,595
All other governmental funds										
Reserved	\$ 692,475	\$ 6,321,805	\$ 3,076,662	\$ 844,999	\$ 800,095	\$ 845,475	\$ 930,722	\$ 1,155,404	\$ 1,303,282	\$ 1,315,807
Unreserved, reported in:										
Special revenue funds	530,272	421,928	341,019	284,664	514,932	502,826	760,917	844,368	1,087,186	1,879,330
Capital projects funds	13,536,481	17,630,406	19,772,010	13,873,571	11,023,880	14,784,996	13,108,298	18,428,409	40,897,216	76,612,241
Debt service funds	874,541	1,192,880	1,372,308	1,394,621	961,232	1,206,412	1,531,736	2,232,229	5,764,165	10,494,115
Total all other governmental funds	\$ 15,633,769	\$ 25,567,019	\$ 24,561,999	\$ 16,397,855	\$ 13,300,139	\$ 17,339,709	\$ 16,331,673	\$ 22,660,410	\$ 49,051,849	\$ 90,301,493

TABLE 4

## CITY OF SAN MARCOS, TEXAS

CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS

## LAST TEN FISCAL YEARS

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
REVENUES										
Taxes	\$ 18,504,140	\$ 21,241,143	\$ 23,494,653	\$ 24,628,583	\$ 26,195,549	\$ 28,380,291	\$ 30,109,095	\$ 33,532,369	\$ 35,610,380	\$ 39,303,487
Licenses and permits	345,529	838,233	582,604	786,000	566,245	716,219	854,818	930,496	688,943	813,976
Fees and penalties	628,495	937,464	943,651	874,677	1,043,706	1,099,498	1,331,391	1,404,734	1,450,558	1,504,429
Charges for services	4,231,980	4,476,476	4,685,690	4,712,696	4,999,001	3,922,202	4,413,393	4,539,296	4,673,630	4,941,970
From use of money/property	1,017,177	1,603,122	1,930,018	980,139	960,750	-	-	-	-	-
Intergovernmental	2,333,394	2,315,514	3,361,550	2,794,428	2,774,548	2,728,440	1,989,677	2,942,569	10,050,033	4,168,351
Investment earnings	-	-	-	-	28,436	474,353	-	1,603,021	2,745,676	2,590,329
Other revenues	358,072	1,036,186	1,024,690	475,702	511,766	917,512	2,109,693	355,039	508,716	955,223
Total revenues	27,418,787	32,448,138	36,022,856	35,252,225	37,080,001	38,238,515	40,808,067	45,307,524	55,727,936	54,277,765
EXPENDITURES										
General government	8,851,395	9,300,546	10,807,385	11,029,407	11,565,441	10,564,127	12,971,819	11,095,617	17,011,106	15,663,181
Public safety	8,443,199	9,106,945	9,396,565	11,169,316	11,507,242	11,224,740	12,057,544	12,558,996	13,355,986	15,833,503
Community service	5,508,759	6,057,390	6,125,319	6,989,365	6,712,736	6,923,328	6,876,302	7,410,044	8,362,801	8,542,826
Capital outlay	3,623,355	3,600,416	9,455,847	7,616,569	5,922,994	5,293,105	8,588,886	7,394,546	17,832,454	26,710,357
Debt service										
Interest	1,025,128	1,819,709	1,868,466	2,249,507	1,720,522	1,741,277	1,813,982	2,061,346	3,273,903	4,907,332
Principal	2,155,168	2,346,931	2,558,843	2,431,310	3,359,634	3,061,337	2,954,906	3,123,832	2,749,077	4,749,496
Total expenditures	29,607,004	32,231,937	40,212,425	41,485,474	40,788,569	38,807,914	45,263,439	43,644,381	62,585,327	76,406,695

(continued)

TABLE 4

## CITY OF SAN MARCOS, TEXAS

CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
(Continued)  
LAST TEN FISCAL YEARS

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>\$ ( 2,188,217 )</u>	<u>\$ 216,201</u>	<u>\$ ( 4,189,569 )</u>	<u>\$ ( 6,233,249 )</u>	<u>\$ ( 3,708,568 )</u>	<u>\$ ( 569,399 )</u>	<u>\$ ( 4,455,372 )</u>	<u>\$ 1,663,143</u>	<u>\$ ( 6,857,391 )</u>	<u>\$ ( 22,128,930 )</u>
<b>OTHER FINANCING SOURCES (USES)</b>										
Bond issuance costs	( 379,588 )	139,629	68,504	-	-	-	( 60,102 )	-	-	-
Bond sales	15,295,000	4,500,000	8,025,000	-	1,928,823	7,140,604	2,650,000	6,225,000	34,190,000	62,695,000
Proceeds from capital leases	773,304	817,561	205,000	-	-	-	-	-	-	-
Discount on debt issued	-	-	-	-	-	-	-	-	-	( 522,859 )
Transfers in	1,591,950	1,967,993	1,702,060	2,304,018	1,006,335	1,529,879	2,381,096	7,021,831	5,875,970	4,375,113
Transfers out	( 1,494,733 )	( 1,612,697 )	( 1,497,412 )	( 2,033,440 )	( 951,894 )	( 1,317,081 )	( 1,549,373 )	( 4,542,021 )	( 6,255,470 )	( 4,289,260 )
Total other financing sources (uses)	<u>15,785,933</u>	<u>5,812,486</u>	<u>8,503,152</u>	<u>270,578</u>	<u>1,983,264</u>	<u>7,353,402</u>	<u>3,421,621</u>	<u>8,704,810</u>	<u>33,810,500</u>	<u>62,257,994</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ 13,597,716</u>	<u>\$ 6,028,687</u>	<u>\$ 4,313,583</u>	<u>\$ ( 5,962,671 )</u>	<u>\$ ( 1,725,304 )</u>	<u>\$ 6,784,003</u>	<u>\$ ( 1,033,751 )</u>	<u>\$ 10,367,953</u>	<u>\$ 26,953,109</u>	<u>\$ 40,129,064</u>
<b>DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES</b>	<u>12.2%</u>	<u>14.6%</u>	<u>14.4%</u>	<u>13.8%</u>	<u>14.6%</u>	<u>14.3%</u>	<u>13.0%</u>	<u>14.3%</u>	<u>13.5%</u>	<u>18.4%</u>

TABLE 5

## CITY OF SAN MARCOS, TEXAS

## ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

## LAST TEN FISCAL YEARS

Fiscal Year	Real Property Assessed Value	Real Property Estimated Actual Value	Personal Property Assessed Value	Personal Property Estimated Actual Value	Less: Tax-exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value
1999	\$ 805,412,339	\$ 805,412,339	\$ 246,961,608	\$ 246,961,608	\$ 64,450,559	\$ 987,923,388	\$ 0.4350	\$ 1,052,373,947
2000	872,017,539	872,017,539	271,529,557	271,529,557	72,583,628	1,070,963,468	0.4610	1,143,547,096
2001	964,231,869	964,231,869	277,025,805	277,025,805	152,665,361	1,088,592,313	0.4710	1,241,257,674
2002	1,316,552,218	1,316,552,218	325,940,581	325,940,581	476,986,559	1,165,506,240	0.4710	1,642,492,799
2003	1,620,712,252	1,620,712,252	381,541,166	381,541,166	429,285,702	1,572,967,716	0.4710	2,002,253,418
2004	1,662,822,489	1,662,822,489	390,220,742	390,220,742	-	2,053,043,231	0.4710	2,053,043,231
2005	1,388,279,224	1,388,279,224	418,678,715	418,678,715	372,839,529	1,434,118,410	0.4702	1,806,957,939
2006	1,939,132,089	1,939,132,089	441,477,940	441,477,940	340,976,008	2,039,634,021	0.4702	2,380,610,029
2007	1,989,713,898	1,989,713,898	440,441,736	440,441,736	263,175,949	2,166,979,685	0.5302	2,430,155,634
2008	2,179,929,050	2,179,929,050	477,501,560	477,501,560	380,495,763	2,276,934,847	0.5302	2,657,430,610

Source: Hays County Appraisal District

Note: Property in Hays County is reassessed once every three years on average. The County assesses property at approximately 100 percent of actual value for commercial and industrial property and 100 percent for residential property. Estimated actual taxable value is calculated by dividing taxable assessed value by those percentages. Tax rates are per \$1,000 of assessed value.

TABLE 6

## CITY OF SAN MARCOS, TEXAS

## ELECTRIC UTILITY RATE COMPARISON

## LAST TEN FISCAL YEARS

Fiscal Year	Residential			Small Gen Serv			Medium Gen Serv			Large Gen Serv - Secondary			Large Gen Serv - Primary		
	Customer Charge	Energy Charge	Energy Charge per kwh	Customer Charge	Energy Charge	Energy Charge per kwh	Demand per kw	Customer Charge	Energy Charge	Demand per kw	Customer Charge	Energy Charge per kwh	Demand per kw	Customer Charge	Energy Charge per kwh
2008	\$ 45.0000	\$ 0.0190	\$ 0.0093	\$ 45.0000	\$ 0.0190	\$ 0.0093	\$ 3.3000	\$ 200.0000	\$ 0.0093	\$ 3.1500	\$ 700.0000	\$ 0.0074	\$ 2.39		
2007	10.00	0.0190	0.0093	45.00	0.0190	0.0093	3.30	200.00	0.0093	3.15	700.00	0.0074	2.39		
2006	10.00	0.0190	0.0093	45.00	0.0190	0.0093	3.30	200.00	0.0093	3.15	700.00	0.0074	2.39		
2005	10.00	0.0190	0.0093	45.00	0.0190	0.0093	3.30	200.00	0.0093	3.15	700.00	0.0074	2.39		
2004	8.75	0.0628	0.0374	45.00	0.0574	0.0374	8.90	200.00	0.0364	8.60	700.00	0.0358	8.50		
2003	8.75	0.0556	0.0303	45.00	0.0303	0.0303	8.90	200.00	0.0292	8.60	700.00	0.0286	8.50		
2002	8.75	0.0556	0.0303	45.00	0.0303	0.0303	8.90	200.00	0.0292	8.60	700.00	0.0286	8.50		
2001	8.75	0.0556	0.0303	45.00	0.0303	0.0303	8.90	200.00	0.0292	8.60	700.00	0.0286	8.50		
2000	8.75	0.0556	0.0303	45.00	0.0303	0.0303	8.90	200.00	0.0292	8.60	700.00	0.0286	8.50		
1999	8.75	0.0556	0.0303	45.00	0.0303	0.0303	8.90	200.00	0.0292	8.60	700.00	0.0286	8.50		

TABLE 7

## CITY OF SAN MARCOS, TEXAS

## TOTAL AVERAGE kWh PER MONTH COMPARISON

<u>Year</u>	<u>Commercial</u>	<u>Residential</u>	<u>Total Usage</u>
2000	18,133,709	11,820,238	29,953,947
2001	19,491,868	12,941,395	32,433,263
2002	21,609,816	12,930,494	34,540,310
2003	17,929,096	14,820,678	32,749,774
2004	23,718,467	14,243,456	37,961,923
2005	24,023,825	14,849,650	38,873,475
2006	25,993,916	15,420,114	41,414,030
2007	26,358,702	15,889,148	42,247,850
2008	28,517,068	15,836,725	44,353,793



TABLE 8

**CITY OF SAN MARCOS, TEXAS**  
**TOTAL kWh PER YEAR COMPARISON**

<u>Year</u>	<u>Commercial</u>	<u>Residential</u>	<u>Total Usage</u>	<u>Total Purchased</u>	<u>Loss%</u>
2000	N/A	N/A	N/A	N/A	N/A
2001	N/A	N/A	N/A	N/A	N/A
2002	N/A	N/A	N/A	N/A	N/A
2003	N/A	N/A	N/A	N/A	N/A
2004	N/A	N/A	N/A	N/A	N/A
2005	297,082,190	178,405,368	475,487,558	N/A	N/A
2006	311,926,699	185,040,610	496,967,309	524,152,775	5.19%
2007	316,304,431	190,669,778	506,974,209	522,933,027	3.05%
2008	342,204,187	190,040,702	532,244,889	565,300,166	5.85%

TABLE 9

**CITY OF SAN MARCOS, TEXAS**  
**TEN LARGEST ELECTRIC CUSTOMERS**  
**SEPTEMBER 30, 2008**

Customer	Consumption (kWh)	Amount Billed	% of Total kWh
TEXAS STATE UNIV	\$ 97,113,177	\$ 7,334,804	18.25%
H E BUTT GROCERY INC	15,714,347	1,302,645	3.0%
CITY OF SAN MARCOS	10,523,960	916,150	2.0%
TEXAS STATE UNIVERSITY, OTHER	9,348,326	822,797	1.8%
SMCISD	8,951,954	794,825	1.7%
CENTRAL TEXAS MEDICAL CENTER	7,708,410	627,924	1.5%
WALMART-SUPER STORE	7,055,484	599,583	1.3%
HAYS COUNTY	4,751,228	416,450	0.9%
H E BUTT GROCERY	4,749,569	401,516	0.9%
BOBCAT VILLAGE	<u>3,608,463</u>	<u>348,125</u>	<u>0.7%</u>
	<u>\$ 169,524,918</u>	<u>\$ 13,564,819</u>	<u>31.86%</u>

Note: % of total consumption based on 532,244,899 kWh

## CITY OF SAN MARCOS, TEXAS

## DIRECT AND OVERLAPPING PROPERTY TAX RATES

## LAST TEN FISCAL YEARS

Fiscal Year	City Direct Rates				
	Basic Rate	School District	County	Other Special Road	Total Direct Rate
1999	0.4350%	1.5500%	0.3793%	0.0846%	2.4489%
2000	0.4610%	1.4438%	0.3579%	0.0846%	2.3473%
2001	0.4610%	1.4952%	0.3579%	0.0960%	2.4101%
2002	0.4710%	1.4296%	0.3702%	0.0759%	2.3467%
2003	0.4710%	1.6000%	0.3751%	0.0710%	2.5171%
2004	0.4710%	1.6000%	0.3751%	0.0710%	2.5171%
2005	0.4710%	1.7300%	0.3920%	0.0710%	2.6640%
2006	0.4702%	1.7000%	0.3790%	0.0710%	2.6202%
2007	0.5302%	1.3700%	0.3714%	0.0860%	2.3576%
2008	0.5302%	1.3700%	0.3714%	0.0801%	2.3517%

+ Information provided by Hays County Tax Office/393-5545

TABLE 11

**CITY OF SAN MARCOS, TEXAS**  
**PRINCIPAL PROPERTY TAXPAYERS**  
**CURRENT YEAR AND NINE YEARS AGO**

Taxpayer	2008	
	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
HEB Warehouse	\$ 83,574,490	3.87%
CFAN	41,458,010	1.92%
Tanger Properties	38,377,934	1.78%
San Marcos Factory Stores	31,559,417	1.46%
Prime Outlets at San Marcos	29,154,620	1.35%
University Heights	21,206,950	0.98%
The Sanctuary Lofts LP	21,076,540	0.98%
Cabana Beach of San Marcos LP	19,892,760	0.92%
Grande Communications	19,669,240	0.91%
Morgan Stanley Mtg Capital	18,250,980	0.85%
Total	\$ <u>324,220,941</u>	<u>15.01%</u>

Taxpayer	1998	
	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
H. E. Butt Warehouse	\$ 27,152,190	1.26%
San Marcos Factory Shops	18,710,874	0.87%
CFAN	17,241,230	0.80%
Century Telephone	14,513,730	0.67%
Butler Manufacturing	10,091,360	0.47%
ROHRHTA	9,679,170	0.45%
Trico Industries	9,414,710	0.44%
Thermon Manufacturing	8,822,450	0.41%
Tanger Properties	8,377,865	0.39%
Sophie Property Ltd	6,239,900	0.29%
Total	\$ <u>130,243,479</u>	<u>6.03%</u>

Source: Hays County Tax office

TABLE 12

**CITY OF SAN MARCOS, TEXAS**

**PROPERTY TAX LEVIES AND COLLECTIONS**

**LAST TEN FISCAL YEARS**

<u>Fiscal Year Ended</u>	<u>Taxes Levied for the Fiscal Year</u>	<u>Collected With the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Years</u>	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
1999	\$ 4,502,310	\$ 4,321,335	95.98%	\$ 90,046	\$ 4,411,381	97.98%
2000	5,208,616	4,985,964	95.73%	104,172	5,090,136	97.73%
2001	5,620,364	5,377,618	95.68%	112,407	5,490,025	97.68%
2002	7,457,502	7,206,875	96.64%	149,150	7,356,025	98.64%
2003	7,662,979	7,315,055	95.46%	153,260	7,468,315	97.46%
2004	8,198,030	7,904,217	96.42%	163,961	8,068,178	98.42%
2005	8,503,149	8,193,411	96.36%	170,063	8,363,474	98.36%
2006	8,796,101	8,620,179	98.00%	164,071	8,784,250	99.87%
2007	9,590,359	9,455,292	98.59%	170,257	9,625,549	100.37%
2008	11,451,045	11,291,991	98.61%	-	11,291,991	98.61%

Subsequent years includes penalties

TABLE 13

**CITY OF SAN MARCOS, TEXAS**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
**LAST TEN FISCAL YEARS**

Fiscal Year	Governmental Activities			Business-type Activities				Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Certificates of Obligation	Capital Leases	Water Revenue Bonds	Electric Revenue Bonds	Drainage Certificate of Obligation	Capital Leases			
1999	\$ 23,885,000	\$ 2,500,000	\$ 1,843,720	\$ 51,310,000	\$ 535,000	\$ -	\$ -	\$ 80,073,720	3.63%	\$ 2,008
2000	24,075,000	5,500,000	2,162,541	53,400,000	275,000	-	-	85,412,541	4.40%	2,459
2001	22,465,000	13,400,000	1,628,167	51,210,000	-	-	-	88,703,167	4.25%	2,372
2002	20,620,000	13,095,000	1,014,522	48,870,000	6,131,283	-	54,636	89,785,441	4.88%	2,216
2003	18,750,000	14,250,000	2,295,348	56,425,000	58,570,000	-	-	150,290,348	6.83%	3,564
2004	16,825,000	20,555,000	1,569,622	67,150,000	71,435,000	-	92,907	177,627,529	5.93%	3,968
2005	14,835,000	22,385,000	464,427	78,595,000	10,500,000	6,670,000	92,907	133,542,334	4.53%	3,035
2006	12,300,000	28,115,000	140,044	78,595,000	10,500,000	6,500,000	38,490	136,188,534	4.36%	2,893
2007	12,925,000	58,485,000	393,426	86,125,000	10,430,000	8,025,000	75,804	176,459,230	5.32%	3,672
2008	15,200,000	114,210,000	14,059	96,420,000	9,605,000	12,315,000	-	247,764,059	5.93%	3,890

TABLE 14

## CITY OF SAN MARCOS, TEXAS

## RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING

## LAST TEN FISCAL YEARS

Fiscal Year	General Bonded Debt Outstanding			Percentage of Actual Taxable Value of Property	Per Capita
	Gross Bonded Debt	Debt Service Fund	Total		
1999	\$ 26,920,000	\$ 874,541	\$ 26,045,459	2.49%	\$ 653
2000	29,850,000	1,192,880	28,657,120	2.54%	825
2001	35,865,000	1,372,308	34,492,692	2.83%	922
2002	33,715,000	1,167,908	32,547,092	1.98%	803
2003	33,000,000	941,463	32,058,537	1.60%	760
2004	37,380,000	1,109,256	36,270,744	1.77%	810
2005	40,030,000	1,531,736	38,498,264	2.13%	875
2006	40,415,000	1,557,638	38,857,362	2.06%	776
2007	48,930,000	5,764,165	43,165,835	2.00%	862
2008	77,010,000	6,003,239	71,006,761	3.12%	1,411

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TABLE 15

## CITY OF SAN MARCOS, TEXAS

## DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

AS OF SEPTEMBER 30, 2008

<u>Government Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Debt repaid with property taxes			
City of San Marcos - City direct debt	\$ 77,010,000	100.000%	\$ <u>77,010,000</u>
San Marcos Independent School District	138,824,410	78.150%	108,491,276
Caldwell county	9,685,000	2.390%	231,472
Hays County	67,480,000	7.000%	<u>4,723,600</u>
Subtotal overlapping debt			<u>113,446,348</u>
Total direct and overlapping debt			\$ <u>190,456,348</u>

Sources: Information for Hays County provided by Hays County Auditor's office/393-2283  
Information for Caldwell County provided by Caldwell Auditor's office/398-1801  
Information for SMCISD provided by School District, Debbie White/393-6747

**CITY OF SAN MARCOS, TEXAS**  
**LEGAL DEBT MARGIN INFORMATION**  
**LAST TEN FISCAL YEARS**

	Fiscal Year			
	1999	2000	2001	2002
Debt limit	\$ 104,703,283	\$ 112,839,545	\$ 121,916,767	\$ 164,249,280
Total net debt applicable to limit	<u>26,045,459</u>	<u>28,657,120</u>	<u>34,492,692</u>	<u>32,547,092</u>
Legal debt margin	\$ <u>78,657,824</u>	\$ <u>84,182,425</u>	\$ <u>87,424,075</u>	\$ <u>131,702,188</u>
Total net debt applicable to the limit as a percentage of debt limit.	2.31%	2.54%	2.83%	1.98%

TABLE 16

Legal Debt Margin Calculation for Fiscal Year 2008	
Assessed value	\$ 2,276,934,847
Debt limit (10% of assessed value)	227,693,485
Debt applicable to limit:	
General obligation bonds	77,010,000
Less: Amount set aside for repayment of general obligation debt	<u>6,003,239</u>
Total net debt applicable to limit	<u>71,006,761</u>
Legal debt margin	\$ <u>156,686,724</u>

Fiscal Year					
2003	2004	2005	2006	2007	2008
\$ 200,225,342	\$ 205,304,323	\$ 180,695,794	\$ 203,963,402	\$ 215,975,954	\$ 227,693,485
<u>31,844,133</u>	<u>36,270,744</u>	<u>38,498,264</u>	<u>35,688,262</u>	<u>43,165,835</u>	<u>71,006,761</u>
\$ <u>168,381,209</u>	\$ <u>169,033,579</u>	\$ <u>142,197,530</u>	\$ <u>168,275,140</u>	\$ <u>172,810,119</u>	\$ <u>156,686,724</u>
1.60%	1.77%	2.13%	1.75%	2.00%	3.12%

TABLE 17

## CITY OF SAN MARCOS, TEXAS

## PLEDGED REVENUE COVERAGE

## LAST TEN FISCAL YEARS

Fiscal Year	Water Revenue Bonds					
	Gross Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
1999	\$ 16,519,620	\$ 8,033,881	\$ 8,485,739	\$ 2,464,048	\$ 1,507,400	\$ 2.14
2000	17,655,064	10,406,866	7,248,198	2,528,250	1,453,685	1.82
2001	17,252,939	10,186,450	7,066,489	2,583,421	1,400,110	1.77
2002	15,983,823	10,679,779	5,304,044	2,638,056	1,344,697	1.33
2003	17,595,675	11,339,435	6,256,240	2,690,556	1,322,620	1.56
2004	19,502,026	11,076,196	8,425,830	2,808,810	1,364,756	2.02
2005	21,415,438	11,677,318	9,738,120	3,507,750	1,578,546	1.91
2006	26,318,349	12,782,882	13,535,467	3,140,000	3,045,435	2.19
2007	24,138,588	17,796,700	6,341,888	3,195,000	3,633,942	0.93
2008	28,352,029	19,568,829	8,783,200	3,620,000	3,383,614	1.25

Fiscal Year	Electric					
	Gross Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
1999	\$ 24,007,703	\$ 21,746,467	\$ 2,261,236	\$ 819,167	\$ 473,255	\$ 1.75
2000	25,908,308	23,863,928	2,044,380	837,647	454,941	1.58
2001	32,476,702	28,660,394	3,816,308	856,875	435,833	2.95
2002	26,779,981	25,562,838	1,217,143	906,000	297,298	1.01
2003	29,551,713	28,725,521	826,192	906,000	297,298	0.69
2004	33,070,143	31,418,256	1,651,887	910,714	292,778	1.37
2005	39,412,677	35,068,455	4,344,222	924,231	279,315	3.61
2006	45,564,818	43,679,087	1,885,731	770,000	437,183	1.56
2007	45,038,579	40,134,868	4,903,711	790,000	414,457	4.70
2008	49,787,885	48,713,986	1,073,899	825,000	451,891	0.84

Fiscal Year	Drainage					
	Gross Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2005	\$ 878,012	\$ 313,785	\$ 564,227	\$ 70,000	\$ 267,658	\$ 1.67
2006	1,068,207	338,748	729,459	170,000	274,973	1.64
2007	1,424,761	577,461	847,300	175,000	266,998	1.92
2008	1,373,094	811,057	562,037	315,000	349,000	0.85

**CITY OF SAN MARCOS, TEXAS**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
**LAST TEN FISCAL YEARS**

<u>Calendar Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
1999	39,871	\$ 55,400	\$ 22,315	4.0%
2000	34,733	55,892	23,467	3.3%
2001	37,396	55,815	24,610	3.8%
2002	40,514	45,400	23,375	5.1%
2003	42,165	52,195	23,418	5.4%
2004	44,769	66,900	24,259	4.7%
2005	43,994	67,070	32,604	4.0%
2006	47,069	66,376	42,095	4.2%
2007	50,049	65,280	41,960	3.4%
2008	50,317	72,670	44,317	3.4%

TABLE 19

## CITY OF SAN MARCOS, TEXAS

## PRINCIPAL EMPLOYERS

## CURRENT AND NINE YEARS AGO

Employer	2008	
	Employees	Percentage of Total City Employment
Texas State University	5,000	7.70%
Prime Outlets San Marcos	2,100	3.23%
Tanger Factory Outlet Center	1,540	2.37%
San Marcos CISD	1,114	1.72%
Hays County	850	1.31%
Hunter Industries	850	1.31%
Cental Texas Medical Center	650	1.00%
H.E.B. Distribution Center	580	0.89%
Gary Job Corps Center	567	0.87%
City of San Marcos	517	0.80%
Total	13,768	21.21%
Total City Employees	64,925	

Employer	1999	
	Employees	Percentage of Total City Employment
Hunter Industry	500	*
Marshall Gas Controls	292	*
Thermon Manufacturing	275	*
Trico Industries	275	*
CFAN	270	*
HEB Distribution Center	250	*
Butler Manufacturing	225	*
Chatleff Controls	200	*
Palm Harbor	200	*
Rohr- San Marcos	200	*
Total	2,687	

Source: Chamber of Commerce website ([sanmarcostexas.com/Area Demographics/Business Resources](http://sanmarcostexas.com/Area%20Demographics/Business%20Resources))

\* Information not available

TABLE 20

**CITY OF SAN MARCOS, TEXAS**  
**FULLTIME EQUIVALENT CITY GOVERNMENT EMPLOYEES**  
**BY FUNCTION/PROGRAM**  
**LAST TEN FISCAL YEARS**

Function/Program	Fulltime Equivalent Employees as of September 30,									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General government										
Administration	21.00	22.00	22.00	22.00	18.00	19.00	19.00	19.00	19.00	19.00
Human resources	10.00	10.00	10.00	10.00	9.00	9.00	9.00	9.00	9.00	10.00
Finance	31.10	31.10	31.10	30.10	27.58	28.60	31.64	31.64	32.64	32.64
Planning	8.00	9.00	9.00	9.00	9.50	9.50	9.50	9.50	10.00	10.00
Building	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	9.50	9.50
Code enforcement	-	-	-	-	-	4.00	4.00	4.00	6.00	6.00
Police										
Administration	32.88	32.88	32.38	34.28	34.19	35.19	38.19	37.90	40.90	40.90
Operations	70.00	69.00	78.00	74.00	74.00	75.00	75.00	75.00	81.00	86.00
Fire										
Firefighters and officers	55.00	55.00	67.00	47.00	47.00	45.00	48.00	48.00	52.00	55.00
Main Street	1.50	1.48	1.48	1.48	1.48	1.48	1.48	1.48	1.48	1.48
Public works	34.00	33.00	33.00	33.00	32.00	32.00	32.00	32.50	32.50	32.50
Engineering	12.00	12.00	13.00	13.00	12.48	12.48	12.48	11.98	12.98	12.98
Parks and recreation	52.86	62.61	52.86	53.11	46.99	46.98	45.98	46.98	48.08	49.62
Health	8.48	8.48	11.90	11.90	10.90	11.90	11.90	14.65	17.16	17.67
Library	18.36	17.86	17.98	18.41	17.19	17.19	17.93	17.93	18.77	18.77
Water/wastewater	57.80	57.00	61.00	60.00	58.50	58.50	41.50	46.00	50.50	54.00
Electric	48.00	48.00	48.00	50.00	50.00	50.00	50.00	50.00	51.00	50.50
Airport	1.00	1.00	1.00	1.00	1.00	1.00	1.00	2.00	2.00	2.00
WIC	47.50	47.50	27.00	27.00	20.00	20.00	20.00	22.00	23.00	23.00
Total	515.48	523.91	522.70	501.28	475.81	482.82	474.60	485.56	517.51	531.56

Source: City Budget Office

**CITY OF SAN MARCOS, TEXAS**  
**OPERATING INDICATORS BY FUNCTION/PROGRAM**  
**LAST TEN FISCAL YEARS**

Function/Program	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General government										
Building permits issued	2,200	2,699	2,800	2,348	2,100	2,100	2,220	3,426	2,326	2,205
Police										
Physical arrests	2,200	1,704	2,200	1,704	2,200	2,700	1,450	1,480	1,500	2,126
Parking violations	1,700	3,647	5,719	3,749	5,128	6,000	5,022	2,500	3,100	5,260
Traffic violations	1,450	5,449	5,544	7,287	5,000	6,000	9,587	9,500	9,950	9,683
Fire										
Emergency responses	1,355	1,427	1,166	1,176	1,193	1,596	2,158	2,468	3,700	3,550
Fires extinguished	no data	211	180	169	160	158	142	175	190	201
Prevention/safety education	8,238	6,500	7,000	7,000	7,500	11,321	10,396	10,820	12,000	10,000
Other public works										
Street resurfacing (miles)	575	600	600	495	550	14	8	8	8	8
Potholes repaired	500	510	900	826	875	475	486	530	230	220
Parks and recreation										
Facility Rental Bookings	1,850	1,950	1,950	580	605	1,337	2,956	2,900	1,452	1,400
Community center admissions	11,152	11,250	12,000	40,505	55,000	62,214	1,980	2,300	2,900	2,600
Library										
Volumes in collection	109,000	116,632	121,000	124,237	128,000	128,908	132,435	136,000	142,000	143,000
Total volumes borrowed	465,000	336,471	345,000	326,515	349,000	359,000	390,567	398,000	384,200	404,300
Water										
New connections	200	180	180	100	120	216	110	150	110	100
Water main breaks	150	550	400	260	280	208	7	10	10	10
Average daily consumption (thousands of gallons)	6,915	5,678	5,553	5,717	6,284	5,571	6,236	6,141	5,810	6,447
Peak daily consumption (thousands of gallons)	8,943	7,580	7,007	6,633	7,687	6,933	9,387	10,061	8,916	10,153
Wastewater										
Average daily sewage treatment (thousands of gallons)	126	126	220	250	250	579	4,960	5,070	5,600	5,600

Source: Various City departments



**CITY OF SAN MARCOS, TEXAS**  
**CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM**  
**LAST TEN FISCAL YEARS**

Function/Program	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>Police</b>										
Stations	1	1	1	1	1	1	1	1	1	1
Zone offices	1	1	1	1	1	1	1	1	1	1
Patrol units	N/A	N/A	N/A	N/A	N/A	55	63	63	66	84
<b>Fire</b>										
Stations	3	3	3	4	4	4	4	4	4	4
<b>Other public works</b>										
Streets (miles)	140	140	224	224	250	250	263	277	282	292
Streetlights	1,444	1,486	1,490	1,516	1,529	1,535	1,540	1,546	3,500	3,591
Traffic signals	5	5	5	5	5	5	5	5	5	49
<b>Parks and recreation</b>										
Acreage	120	120	120	120	120	120	120	120	120	1,154
Playgrounds	15	15	15	15	15	15	30	36	36	39
Baseball/softball diamonds	9	9	9	9	9	9	9	9	9	9
Soccer/football fields	3	3	3	3	3	3	3	3	3	9
Community centers	2	2	2	2	2	2	2	2	2	2
<b>Water</b>										
Fire hydrants	N/A	N/A	N/A	N/A	983	1,066	1,133	1,224	1,565	1,484
Storage capacity (thousands of gallons)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Wastewater</b>										
Sanitary sewers (miles)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	196
Storm sewers (miles)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	41
Treatment capacity (thousands of gallons)	9 MGD*	9 MGD*	9 MGD*	9 MGD*	9 MGD*	9 MGD*	9 MGD*	9 MGD*	9 MGD*	9 MGD*

\*MGD - Million Gallons per day

Source: Various City departments

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